# FINANCIAL TIMES

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## Fall in UK jobless figures bolsters hope of upturn

UK unemployment fell in March – the second month running – confounding expectations among financiers and politicians that it would rise and boosting hopes that the recession is over.

The surprise 26,000 decline in the seasonally adjusted jobless total to 2.94m last month helped give a strong upward push to sterling. Page 9; Editorial Comment, Page 15; Lex, Page 16

**Clinton 'disappointed':** President Bill Clinton said he was disappointed but not disheartened after being forced to abandon all but a fragment of a projected $16bn package of measures to stimulate the economy. Page 16

**UK may back US bombing move:** Britain signalled its readiness to give reluctant backing to a move by the US administration to bomb Serbian supply lines in Bosnia or to lift the international arms embargo on the Bosnian Moslems. Page 2; Clinton calls the shots, Page 14

**Benazir's husband joins government**

Asif Ali Zardari, (left) 39-year-old husband of former Pakistani prime minister Benazir Bhutto, was sworn in as a minister in the country's five-day-old caretaker government. Zardari took the oath of office just two months after being released on bail having served two years in jail. He was acquitted on nine of 12 cases filed against him, including murder. The appointment is a further sign of a rapprochement between Ms Bhutto and the president. Page 6

**Mercedes-Benz,** mainstay of the German Daimler-Benz group, hopes to stop the profits slide this year in spite of a slump in turnover and unspecified operating losses in the first quarter. Page 17

**Tokyo keeps up attack:** Japanese business leaders, senior government officials and politicians attacked US economic policy towards Japan as the yen rose to another postwar high against the dollar in Tokyo. The dollar closed at Y110.20.Page 6

**Amato hands in resignation:** Italian prime minister Giuliano Amato formally resigned and was asked to remain as caretaker premier while President Oscar Luigi Scalfaro tried to assemble a new government. Page 2

**Swedish austerity package:** Sweden's centre-right minority government announced further deep spending cuts and measures to tackle unemployment. Page 16

**Salomon,** Wall Street securities house and energy trading group, announced a $65m pre-charge net loss for the first quarter after its Salomon Brothers brokerage subsidiary went into the red because of losses on proprietary trading activities. Page 17

**Axa,** French insurance company, announced a 35 per cent fall in group profits for the year to FFr1.54bn ($284m) and expressed confidence about the future profitability of its investment in The Equitable of the US. Page 18; Lex, Page 16

**Palestinians shot:** Israeli soldiers shot and wounded at least 24 Palestinians in a second day of demonstrations in the Gaza Strip.

**PSA Peugeot-Citroen,** French car group, reported a 39 per cent fall in profits to FFr3.37bn ($184m) last year. Page 17; Peugeot loses resale court fight, Page 2

**Andries Treurnicht dies:** South African pro-apartheid Conservative party leader Andries Treurnicht died aged 72. Page 8

**Waco investigation starts:** Work started on removing bodies from the remains of the cult compound at Waco, Texas, in which 86 are believed to have died. Investigators are looking into the possibility that David Koresh's followers died in a mass murder rather than suicide.

**Unity front in Bonn:** French prime minister Edouard Balladur made no request for gestures of solidarity from Chancellor Helmut Kohl during a visit to Bonn. Page 16

**Death sentence for fundamentalists:** Seven Egyptian Moslem militants were sentenced to death by a military court near Cairo for charges that included attacks on foreign tourists and conspiring to topple the government.

**■ STOCK MARKET INDICES**

| | | |
|---|---|---|
| FT-SE 100: | 2831.1 | (+11.5) |
| Yield | 3.98% | |
| FT-SE Eurotrack 100 | 1164.35 | (+8.64) |
| FT-A All-Share | 1412.88 | (+0.5%) |
| Nikkei | 19,981.31 | (-181.70) |
| New York lunchtime: | | |
| Dow Jones Ind Ave | 3461.05 | (+21.61) |
| S&P Composite | 444.34 | (+0.71) |

**■ US LUNCHTIME RATES**

| | | |
|---|---|---|
| Federal Funds: | 3% | |
| 3-mo Treas Bills: Yld | 2.859% | |
| Long Bond | 104¾ | |
| Yield | 6.798% | |

**■ LONDON MONEY**

| | | |
|---|---|---|
| 3-mo Interbank | 6 1/16% | (same) |
| Liffe long gilt future: | Jun 105 7/16 | (Jun 105 11/32) |

**■ NORTH SEA OIL (Argus)**

| | | |
|---|---|---|
| Brent 15-day (Jun) | $18.75 | (18.935) |

**■ Gold**

| | | |
|---|---|---|
| New York Comex (Jun) | $342.5 | (340.7) |
| London | $340.15 | (339.05) |

**■ STERLING**

| | | |
|---|---|---|
| New York lunchtime: | | |
| $ | 1.5518 | |
| London: | | |
| $ | 1.546 | (1.5355) |
| DM | 2.4875 | (2.465) |
| FFr | 8.39 | (8.325) |
| SFr | 2.255 | (2.2425) |
| Y | 170.25 | (170.5) |
| £ Index | 80.7 | (80.1) |

**■ DOLLAR**

| | | |
|---|---|---|
| New York lunchtime: | | |
| DM | 1.60375 | |
| FFr | 5.4125 | |
| SFr | 1.455 | |
| Y | 109.9 | |
| London: | | |
| DM | 1.6065 | (1.605) |
| FFr | 5.42 | (5.4175) |
| SFr | 1.4575 | (1.46) |
| Y | 110 | (111.05) |
| $ Index | 64.8 | (64.1) |
| Tokyo close Y 110.2 | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Austria | Sch30 | Greece | Dr300 | Lux | LFr60 | Qatar | QR12.00 | | |
| Bahrain | Din1.250 | Hungary | Ft172 | Malta | Lm0.60 | S.Arabia | SR11 | | |
| Belgium | BFr60 | Iceland | IKr180 | Morocco | MDh13 | Singapore | S$4.10 | | |
| Bulgaria | Lv25.00 | India | Rs40 | Neth | Fl 3.75 | Slovak Rp | KSL45 | | |
| Cyprus | C£1.00 | Indonesia | Rp3800 | Nigeria | Naira30 | Spain | Pta200 | | |
| Czech Rp | Kcs45 | Israel | Shk5.90 | Norway | NKr16.00 | Sweden | SKr15 | | |
| Denmark | DKr15 | Italy | L2700 | Oman | OR1.50 | Switz | SFr3.20 | | |
| Egypt | E£4.50 | Jordan | JD1.50 | Pakistan | Rs35 | Syria | S£50.00 | | |
| Finland | FM12 | Korea | Won 2500 | Philippines | Pso45 | Thailand | Bht50 | | |
| France | FFr8.50 | Kuwait | Fils.800 | Poland | Zl 22,000 | Tunisia | Din1.250 | | |
| Germany | DM3.30 | Lebanon | US$1.25 | Portugal | Es215 | Turkey | L7000 | | |
| | | | | | | UAE | Dh11.00 | | |

# Tehran used loans from BNL Atlanta to buy arms

By Alan Friedman in New York

THE Atlanta branch of Italy's state-owned Banca Nazionale del Lavoro – already embroiled in scandal over $5bn of loans that helped fund Iraq's war machine – also provided secret loans which were used to finance arms sales to Iran.

Italian government documents obtained by the Financial Times show that BNL Atlanta lent $2bn to countries including Iran, the former Soviet Union, Turkey and Jordan. Like the clandestine Iraqi loans, a large number of these additional loans were made without any formal notification to BNL's head office in Rome.

Part of the secret $2bn of non-Iraqi loans was used to help finance shipments of militarily useful equipment from US and European companies to Tehran, according to a US government official familiar with the case. Some of the shipments would have violated the United Nations embargo on arms sales to Iran and Iraq during the 1980-88 war between those two countries.

The additional loans, made in the mid and late-1980s, extend the scope of the BNL scandal well beyond the bank's Atlanta branch and the issue of the Iraqi loans.

Earlier this week, it emerged that US investigators are also looking at BNL's Argentine operations to see if any of the bank's funds in Buenos Aires were used to help finance Iraq's Condor 2 nuclear-capable missile project.

BNL's head office in Rome has said it is unaware of any links between its Argentine branch and companies that worked on the Condor 2 missile project. Last night, the bank said it was unaware of the Iran loans from Atlanta.

However, a senior BNL executive said yesterday that at the time of the August 4 1989 FBI raid on BNL's Atlanta branch, a total of $735m of exposure resulting from non-Iraqi loans was discovered, of which $417m was US government guaranteed.

He said that he could not rule out that other non-Iraqi loans had been made by the Atlanta branch and already repaid by the time of the FBI raid.

In Venice, meanwhile, an Italian state prosecutor investigating the BNL affair has asked a court to convict and sentence to six-year prison terms Mr Nerio Nesi and Mr Giacomo Pedde, the former BNL chairman and director-general respectively, for making alleged illegal BNL-funded arms

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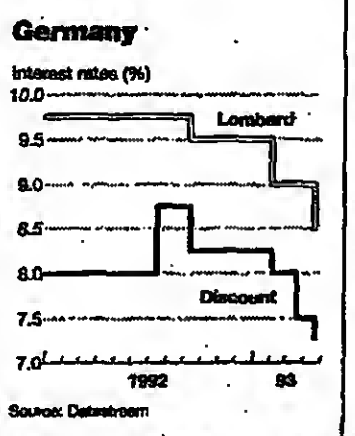
# Bundesbank cuts rates to combat slowdown

By David Waller in Frankfurt, Quentin Peel in Bonn and James Blitz in London



Source: Datastream

THE Bundesbank yesterday cut both of its main interest rates in a move which was seen as the clearest indication yet that it is concerned about the slowdown in the German economy and the prospect of renewed pressures inside the European exchange rate mechanism.

The central bank's policy-making council decided at its scheduled meeting to reduce the discount rate, the floor for money market rates, by 0.25 of a percentage point to 7.25 per cent. It also cut the Lombard rate – an emergency ceiling for bank borrowing – by 0.5 points to 8.5 per cent.

The timing of the rate cuts took financial markets by surprise. On Wednesday, the Bundesbank had announced worse than expected figures for money-supply growth, creating the impression that a further easing in monetary policy was unlikely to take place for some weeks.

The cuts in interest rates also came despite the fact that inflation in Germany is running at 4.2 per cent, more than twice the Bundesbank's long-term target of 2 per cent inflation.

Mr Helmut Schlesinger, Bundesbank president, said he remained fully committed to the objective of cutting inflation. He presented said the cuts as part of the central bank's cautious approach to the easing of monetary policy which had led to stable conditions on capital and money markets.

Mr Schlesinger also said, despite this week's worse than expected data, the Bundesbank's money supply was growing at a level consistent with its medium-term inflation objective of 2 per cent.

In March, the M3 measure of money supply growth rose at an annualised, seasonally adjusted rate of 3.2 per cent. This was below the Bundesbank's target range which, for this year, has been set at 4.5 to 6.5 per cent.

Mr Schlesinger said the cuts would bring some relief for other countries, raising speculation that the Bundesbank may have been concerned by new currency pressures inside the European exchange rate mechanism. However, he also made clear he believed that the interest rate policies of other countries did not depend wholly on Bundesbank policy. Some countries, such as France, he said, had been able to reduce their interest rates "with good news and clear policies".

Before the Bundesbank cuts were announced yesterday, both the French franc and the Spanish peseta had been under pressure inside the ERM, with the Spanish authorities raising their daily intervention rate by 65 basis points to 14 per cent to staunch selling of their currency.

The Bundesbank cut helped the French franc recover in afternoon trading to close more-or-less unchanged on the day at FFr3.374 against the D-Mark. However the peseta was still much weaker by the London close, finishing at Pta72.54 from a previous Pta72.37.

Bundesbank's surprise, Page 2
Spain defends peseta, Page 2
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## Bank president says he has 'much to learn' from criticisms

# Attali says he will stay in office at EBRD

By Robert Peston, Banking Editor, in London

Ashley Ashwood

EBRD president Jacques Attali in London yesterday: certain things should have been done differently

MR JACQUES ATTALI, president of the European Bank for Reconstruction and Development, said yesterday that he had "much to learn" from criticisms that controls of expenditure at the bank had not been tight enough.

However, he added: "I am not planning to resign". Mr Attali said that "more than two or three" of the bank's governors, who are finance ministers or top officials from the 56 countries and agencies which own the bank, had telephoned him to offer support, following criticisms of his stewardship of the bank.

He said that the "most important question which needs to be answered is whether this bank needs to exist or not". The importance of the bank, which provides loans and investments to encourage the growth of market economies in eastern Europe and the former Soviet Union, is that "it is part of the international response to the urgent need of central and eastern Europe".

Mr Attali was speaking as the bank published its annual report for 1992. The report says that the board approved 54 investment projects in the year with a total EBRD contribution of Ecu1.2bn ($1.46bn). However, just Ecu136m was disbursed, consisting of Ecu75.8m of loans and Ecu50m of equity injections.

He said it was "entirely legitimate for the press to raise questions about the way in which we conduct our affairs". He justified the lavish furnishings of the bank's new headquarters, in London's Broadgate complex, by saying that work on fitting out the building was proceeding "within the approved budget". He did not comment on the issue of whether the budget itself was excessive.

"With the benefit of hindsight, it is clear that we should have done certain things differently," he said. The replacement of the building's existing marble with new marble, at a cost of at least £750,000, fell "into this category".

He said the bank's "overriding concern now is to learn from this experience". In order to tighten control over spending, Mr Attali said he was dividing the responsibilities currently held by Mr Pissaloux, who is both director of Mr Attali's cabinet and director of the budget.

He said there would now be "a full-time director" with budgetary responsibilities and a separate cabinet director. He refused to say who would occupy these posts. Mr Pissaloux would not comment on whether he would hold one or other of these posts.

Mr Attali also said there would be a "further deepening and strengthening of the board committees on budgetary matters, both in preparing and monitoring the budget" and "further improvements will be made in the information supplied to the board about the budget".

He also confirmed that the board's audit committee was undertaking a review of the "costs incurred and the specific procedures followed in the fitting out of the bank's headquarters".

Annual report details, Page 3

# Corruption charges threaten Yeltsin's referendum hopes

By John Lloyd in Moscow

PRESIDENT Boris Yeltsin last night faced the gravest threat to the success of his referendum campaign when the prosecutor-general's office issued a statement implicating the Russian defence minister in "illegal deals" involving former Soviet military property in east Germany.

General Pavel Grachev, the defence minister, has strongly supported Mr Yeltsin and has so far ensured the loyalty of the military. One source close to the security services said last night that he would be forced to resign.

The allegations came at the end of a day in which the bitterness between Mr Yeltsin and parliament erupted in a series of charges and counter charges. The parliamentary press office distributed a statement, claimed to be based on security services' information, that Mr Yeltsin planned to falsify the results of Sunday's referendum and to impose presidential rule with the help of armed Cossack regiments.

The country's main hardline groups announced the formation of a public committee for the protection of the constitution, uniting nationalist and communist parties and previously centrist parliamentary factions.

Mr Vladimir Isakov, leader of the Russian Unity faction, said the group would use "all means including civil disobedience and resistance . . . if we encounter open violence to the constitution this means we will defend the constitution by the use of force".

Mr Yeltsin, on a campaign trip to the city of Izhevsk in the Udmurt Republic, promised "tough measures" against the opposition.

The corruption allegations against Gen Grachev come a week after Gen Alexander Rutskoi, the vice-president, who has emerged as the main opponent of Mr Yeltsin, alleged massive corruption on the part of close presidential aides – including a charge that Mr Mikhail Poltaranin, head of the Federal Infor-

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# The Bundesbank springs another interest rates surprise

By David Waller in Frankfurt and Quentin Peel in Bonn

THE Bundesbank proved once again yesterday that it likes nothing better than to be the master of the unexpected.

On Wednesday, the bank published poor money supply figures, and Mr Theo Waigel, the finance minister, issued a dire prognosis about the state of public finances.

Neither development was thought likely to encourage further loosening of German monetary policy and economists and bond traders had resigned themselves to a quiet Thursday afternoon contemplating the German central bank's profit figures – the reason given in advance for yesterday's press conference.

The Bundesbank was almost predictably unpredictable yesterday, wrong-footing observers with cuts in official rates. The Lombard rate was cut 0.5 per cent to 8.5 per cent and the discount rate by 0.25 per cent to 7.25 per cent – the first cuts in official rates since March 18.

In the weeks since the last cut, the market's attentions had been focused on the Bundesbank's weekly activities in the money markets. Week by week throughout April, the German central bank tantalised observers by making a series of minuscule cuts in the rate at which it provides wholesale funds to the banking community.

This created the psychological climate where markets were prepared to continue being disappointed – and found themselves pleasantly surprised yesterday – even though the cuts in themselves were hardly going to reverse Germany's increasingly severe recession.

Mr Helmut Schlesinger, Bundesbank president, made little direct reference to the real economy yesterday, saying the decision was justified because money supply for all the short-term disappointment of Wednesday's figure – was again under control.

However, economists are convinced the Bundesbank is increasingly tailoring monetary policy to developments in the real economy. The gravity of the recession was underscored by figures from Bonn on Wednesday showing the economy had further deteriorated since March.

And Mr Waigel's forecast that his central government budget deficit could reach DM68bn-70bn, compared with an earlier forecast of just DM54bn, has shaken business confidence. The main factors in the increase are the costs of higher unemployment, a shortfall in tax revenues, and the burden of subsidising eastern Germany.

Inflation is still running at over 4 per cent in the west of Germany – more than twice the central bank's long-term target of 2 per cent. In this context the rate cut shows the Bundesbank's recognition of the severity of the downturn, economists said.

Yesterday's cuts have already set off expectations of further reductions soon. June 17 is already being touted as the date for the next cut in official rates.

The Bundesbank, however much it may now be committed to bringing rates down further, is likely to do this only in a way which continues to maintain the element of uncertainty. It is eager to avoid the danger that the D-Mark will weaken as investors make the assumption that German interest rates are set to plunge rapidly and quickly.

# Saatchis in wings for debut of the Yeltsins

By John Lloyd in Moscow

A SLICE of life in the Yeltsin household broadcast earlier this week on Russian television instantly became a big talking point. It was something akin to the reaction of the British on seeing the family life of the royal family for the first time three decades ago. But how natural was it?

Saatchi and Saatchi, the advertising agency credited with past successes for the British Conservative party, thinks it may have been in part their work.

Speaking yesterday for the first time about the part the agency has played in assisting Mr Yeltsin in his referendum campaign, Mr Steve Hilton, a Saatchi executive, said he had worked with a Russian agency in the weeks before the campaign and made a series of recommendations about Mr Yeltsin's image – recommendations which seem to have been heeded.

In association with Gallup Poll and basing his recommendations on group discussions with Russian citizens in half a dozen cities, Mr Hilton wrote a memorandum last week which advised the Russian leader to play to his perceived strengths.

"People saw him as strong: so we advised him to put himself forward as a strong leader for a strong Russia. He was seen as manly and as simple, straightforward."

The film of the Yeltsins at home featured all of these characteristics.

Another of the Saatchi-Gallup findings was that the Russian Congress of Peoples' deputies was deeply unpopular.

"We found nobody with a good word to say about them. So we advised that Yeltsin could be very negative about them; much more negative than would have been the case in a western campaign." Mr Yeltsin, and his ministers and aides, have represented the Congress as Communists who want to turn the clock back to the worst days of the Soviet Union.

"We thought that this should be a very Russian campaign," said Mr Hilton. "We advised that there should be a lot of endorsements from famous people, like actors and actresses, so that the idea of voting for Yeltsin would be fashionable."

Mr Yeltsin has the wholehearted backing of the intelligentsia and the artistic circles of Moscow – meeting them in the Bolshoi theatre and being welcomed on platforms by famous actresses.

"We didn't have much time," says Mr Hilton, who had worked on last year's UK Conservative campaign for months before the general election. "And I thought at first that it was almost a lost cause. We weren't able to do poster and telavision campaigns: all we could do was to recommend themes which Mr Yeltsin and his supporters could stress in speeches and in briefings to the media."

The Saatchi effort was spearheaded in Moscow by Mr Hilton, who travelled throughout Russia with Mr Gordon Heald of Gallup to listen for himself to the opinions of Russians. In overall command in London was Mr John Maples, a former treasury minister who, since his defeat in the last election, has been head of Saatchi's government communications worldwide division.

Because of the sensitivities of the president's team about being seen to be advised by foreign companies, Saatchi and Gallup worked with the Mnenie ("Opinion") polling company.

# Spain acts to defend peseta's EMS rate

By Tom Burns in Madrid

THE BANK of Spain raised its unofficial intervention rate yesterday and intervened strongly on the money markets to defend the peseta's central parity rate with the exchange rate mechanism of the European Monetary System.

Speculation against the peseta brought it down to a low of Pta73.10 to the D-Mark before the Madrid authorities took action, raising the overnight rate from 13.35 to 14 per cent, and part of Spain's $45bn reserves were put aside for the peseta's defence.

The action served to steady the peseta and lifted it to Pta72.80 against the D-Mark, above its Pta72.88 parity in the Exchange Rate Mechanism. The markets are however watching for clearer signals today when the Bank of Spain sets its benchmark intervention rate at an auction for certificates of deposits.

The attack on the peseta, and the defence of it, highlighted the nervousness surrounding the Spanish currency, for the developments occurred before Germany's Bundesbank cut its Lombard and discount rates.

At the root of speculation against the peseta is the political instability that has engulfed Spain ever since Prime Minister Felipe González last week announced a snap election to be held on June 6.

Fuelling the speculative attacks is, on one hand, the belief that the Spanish economy is in the midst of a recession and that the peseta is strongly overvalued, particularly in the wake of the Bundesbank's rate cuts.

On the other hand, the market perception is that the ruling Socialist party will do all that lies within its power, using the Bank of Spain's reserves as necessary, to ensure monetary stability before the elections.

# UK may back US on bombing Serbs

By David White and Philip Stephens in London and Laura Silber in Belgrade

BRITAIN signalled yesterday that it was ready to give reluctant backing to a move by the US administration to bomb Serbian supply lines in Bosnia or to lift the international arms embargo on the Bosnian Moslems.

As Washington continued to weigh its reponses to the latest Serbian advances in the former Yugoslav province, senior British ministers said that they now judged President Bill Clinton almost certain to announce new measures against the Serbs.

The London government has drawn up detailed contingency plans to withdraw at short notice its 2,400-strong contribution to the UN humanitarian effort if the US stance brings an escalation in the fighting.

Mr Douglas Hurd, the foreign secretary, told a cabinet meeting that it was uncertain whether he would choose lifting the arms embargo or the threat of air strikes. But ministers concluded that in either case it would be impossible for Britain to stand out against such a move.

Meanwhile, Canadian UN troops in Srebrenica are prepared to use force to protect the demilitarised zone, the commander of the UN Protection Force in former Yugoslavia said yesterday.

"The order is that the [troops] protect this demilitarised zone as peacekeepers," Lt Gen Lars-Eric Wahlgren, the UN Protection Force (Unprofor) commander, said at a news conference in Zagreb. "That means that if somebody tries to enter it with force, they will use force in self-defence."

However, a UN official said the remarks by Gen Wahlgren did not imply the troops were ready to defend the eastern Bosnian town if the cease-fire broke down and Serb besiegers resumed shelling. "We have no mandate, no ability and no intention of defending Srebrenica by the use of force," the official said.

The 150-strong UN contingent consists of lightly-armed infantry soldiers with thinly-armoured personnel carriers and a few trucks and jeeps. The nearest reinforcements are Canadian and British soldiers at Tuzla, 60km away and the other side of the confrontation line.

The cease-fire in Srebrenica which was agreed by the Bosnian Serbian and Moslem military commanders last weekend was holding and an Unprofor spokesman in Sarajevo said that UN troops had completed the destruction of weapons handed in by the Moslem defenders of the town.

However, one of the commanders of the Serb besieging forces said that the Moslems had surrendered "a ridiculously small" quantity of "mainly obsolete and useless" arms.

In central Bosnia, Moslem and Croat forces, once allies in the struggle against the Bosnian Serbs, continued to fight for territory, breaking a brief ceasefire negotiated hours earlier.

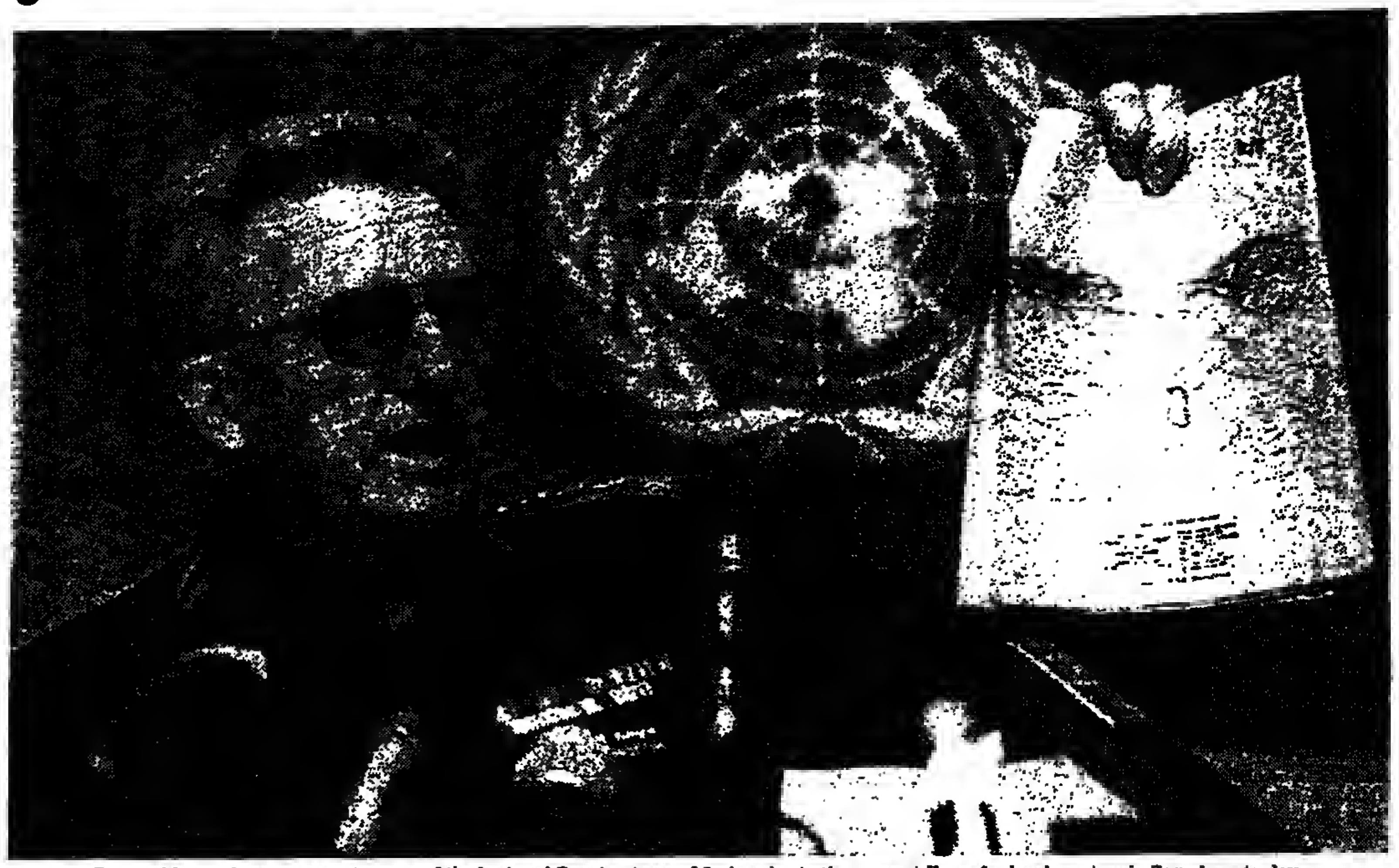
The UN Security Council said on Wednesday that it was appalled by the atrocities against civilians in the area, "in particular the setting on fire of Moslem houses and the shooting of entire families in two villages by Bosnian Croat paramilitary units".

Some 250 people, mainly civilians, have died in the Croat-Moslem clashes over the past few days.

Moslem-controlled Sarajevo radio said Croat forces had captured the town of Vares, 35km north of the Bosnian capital. It accused the Croats of shelling Moslem positions around Kiseljak, to the west of Sarajevo.

The radio also said that 12 people died in the shelling of Gorazde over the last 24 hours.

In western Croatia, one Czechoslovak peacekeeper was killed and two wounded in a Croat attack on Gospic, amid mounting clashed between Croat and Serb forces.



Gen Lars-Eric Wahlgren shows a computer map of the besieged Bosnian town of Srebrenica to the press at Unprofor headquarters in Zagreb yesterday

# EC states split over carbon tax controversy

By David Gardner in Brussels

CONTROVERSIAL plans for a European Community energy tax to combat global warming look unlikely to progress much further when environment and energy ministera of the 12 member states meet in Luxembourg today.

Although six EC countries, led by Germany, formally supported the tax last month, opposition to the levy, spearheaded by the UK and Spain, looks set to prevent any unanimous recommendation to tha EC's finance ministers, witb whom the final decision rests.

Today's extraordinary "jumbo" Council of Ministers was called by the Danish presidency of the EC in the hope of getting a political agreement to introduce the tax when finance ministers meet in June.

But the draft conclusions prepared for the ministers by senior officials of the 12 reveal a clear split which today's meeting may be ahle to paper over but is unlikely to resolve.

"The idea was to send a clear signal" to the June finance ministers' meeting, said one senior UK official. "But if there's a split it will be a mixed signal."

The tax would put $3 on each barrel of oil equivalent, rising to $10 hy the year 2000, half on the fuel content of all non-renewable fuel and half on its carbon content.

Germany, the Netherlands, Belgium, Italy, Luxembourg and Denmark all insist it is indispensable if the EC is to meet its commitment to stabilise carbon dioxide emissions at 1990 levels by 2000. At Belgium's proposal, they call in the conclusions for the tax to be recognised as "a key element of the global strategy" to fight the greenhouse effect.

The UK has inserted the rival formula that "fiscal instruments at Community and/or national level may be necessary as elements of a global strategy" – an implicit reference by the government that its raising of fuel charges in the last budget will enable the UK to meet the emissions target without an EC-wide tax.

Ministers will today have to decide which of these counterpoised draft amendments they steer closest to. The Danish presidency is hoping to blunt the opposition of the poorest four EC states led by Spain, by proposing a three-year pause before they would have to introduce the levy. France is equivocal about the mix of the tax, favouring instead a levy purely on fossil fuels in order to protect its extensive nuclear energy generation.

Supporters of the tax hope this week's promise by US President Bill Clinton to match the EC's emission stabilisation targets, along with US fuel tax plans, will strengthen their case. Introduction of the tax has been made conditional on the EC's main trading partners adopting similar measures, to safeguard European competitivity.

British officials were yesterday dismissive of the US moves, however. "Those noises are still some way from meeting the Community's conditionality targets," one said.

They add that European Commission studies, showing that purely national efforts to reach the EC stabilisation target, which would result in a 3 per cent increase in $CO_2$ emissions hy 2000, are "well within the margin of error".

# Peugeot loses resale court fight

By Andrew Hill in Brussels

PEUGEOT, tbe French car maker, will have to allow its Belgian and Luxembourg dealers to supply independent intermediaries with cars for resale in other countries, following a European Court ruling yesterday.

The decision should end Peugeot'a long-running legal campaign against Ecosystem, a Rouen-hased intermediary which resells cars bought at lower prices in Belgium and Luxembourg.

The court yesterday threw out appeals from Paugeot against a December 1991 European Commission decision, forcing the carmaker to lift its ban on dealers in those countries supplying Ecosystem.

Under EC rules, it is not illegal for intermediaries to import cars on behalf of individual customers. Sir Leon Brittan, then competition commissioner, warned the French car maker in 1991 that its Belgian and Luxembourg dealers would forfeit protectioo from normal competition rules if the restrictions were not ended.

At the same time, the Commission laid out a code of huying and marketing practices for intermediaries.

The Peugeot/Ecosystem case has been at the centre of an often acrimonious debate about the exclusive dealership system operated by European car manufacturers. The system is exempt from competition rules until 1995, and consumer groups complain that it helps perpetuate price differences across Europe.

Car makers say the dealership system is needed to ensure a proper after-sales service. They say car price differences are mainly due to other factors, such as discrepancies between car taxes.

Peugeot results, Page 18

# Ukraine alters key nuclear clause

By Oleg Mamayev in Kiev and John Lloyd in Moscow

UKRAINE'S parliament yesterday revived fears of a resurgence of nuclear tension in eastern Europe when it put into question the country's commitment to become a non-nuclear state.

In a closed session, the deputies in the Kiev parliament changed a key clause in a draft on military doctrina which read that Ukraine would in future becoma a oon-nuclear state to raad that nuclear weapons would stay on its territory for a "transitional period", according to deputies after the session last night.

Ukraine has 176 strategic nuclear missiles in its possession and under its control - in spite of repeated demands by Russia that it allow these missiles, part of the forward Soviet ouclear force, to remain under complete Russian cootrol.

The country has also so far refused to sign either the Start 1 or Start 2 treaties – a refusal which is jeopardising Russia's ratification of Start 2.

The ultimate decision and technical means to fire the missiles remain in Moscow. However, Russian security analysts said this week that Ukraine was capable of developing its own command and control system rapidly in a short period.

Despite the change, the draft doctrine fell some 37 votes short of being adopted when put to a vote of the deputies. According to Mr Stepan Khmara, a nationalist depnty, tbe draft was turned down because of continued dissatisfaction that it was "too mild".

Earlier, Mr Leonid Kravchuk, the Ukrainian presideot, had told a noisy chamber that the country must sign Start 1 and claim non-ouclear status.

At the same time, Mr Kravchuk said that Ukraine had the right to expect greater compensation from the west for destroying the weapons. A senior official, speaking oo condition of anonymity, said that "if the US had given money for this before, we wouldn't be having such debates today".

Ukraine has asked for $2bn to help liquidate its nuclear weapon stock.

Parliament is due to return to the issue of the military doctrine next month. However, even liberal deputies were last night forecasting that the likely trend in the parliament was towards retention of nuclear force for the foreseeable future.

# Amato hands in resignation

By Robert Graham in Rome

THE search began last night for a new Italian government based on a hroader political consensus to carry out reform of the electoral system.

This followed the formal announcement hy Prime Minister Giuliano Amato that he was handing in the resignation of his four-party coalition to President Oscar Luigi Scalfaro. The coalition of Christian Democrats, Socialists, Social Democrats and Liberals was formed on June 30 last year.

Mr Amato had foreshadowed the end of his government, Italy's 51st since the war, in a statement to parliament on Wednesday. However, he waited until the end of yesterday's one-day parliamentary debate on the impact of Sunday's referendum result before informing parliament.

This was to observe a constitutional nicety – if the announcement had been before the dehate, the debate itself could not have been held.

Mr Scalfaro is expected to play a key role in brokering an agreement. It is the first time an Italian president has found himself in such a pivotal position, with the leaders of the main parties, who have traditionally dictated the choice of governments, having such reduced power.

The president has conducted informal soundings and he has made it known he is anxious to see a new government formed as soon as possible to avoid a power vacuum. But as yesterday's debate showed, the forging of a consensus round a govarnment with broad parliamentary support could prove difficult.

During the debate Mr Mario Segni, the leader of the referendum movement whose political position has been boosted by the overwhelming endoraement of his referendum proposal to reform the Senate electoral law, avoided any suggestion he might be willing to head a new government. This contrasted with his offer to head a government in the wake of last April's genaral election.

However, Mr Umberto Bossi, leader of the Lombard League which controls nearly a third of the vote in northern Italy, backed the idea of a Segni government. The other political leaders were clear in stating what they did not want but less so in demanding what they wanted. The only consensus was on avoiding an immediate dissolution of parliament and that the next government should have a limited timespan, sufficient to agree new alectoral laws.

In any event the Amato government will continua on a caretaker basis.

# Brussels wants £10bn for R&D

By Andrew Hill in Brussels

THE European Commission wants to commit Ecu13.1bn ($15.98bn) to EC research and technological davelopment programmes between 1994 and 1998.

More than three-quarters of the funding would be directed at information, telecommunications, energy and industrial research.

However Mr Antonio Ruberti, EC research commissioner since January, has stepped back from his predecessor's ambitious and controversial plan to give European industry more opportunity to shape research and development policy.

Tha Commissioo's earlier proposal had raised fears that competition might be distorted by funding of projects whicb might benefit specific companies, rather than specific sectors.

Announcing proposals for the EC's fourth "framework" R&D programme in Strasbourg yesterday, Mr Ruberti said Community funding should be "pre-competitive".

He said industry could propose individual projects for funding, but within the guidelines laid down by the Commission, which are not supposed to favour particular industries.

This EC framework programme is tbe fourth sioce 1984, and appears to command more funds than its predecessors. However, a straight comparison with the third programme, whicb was worth Ecu6.6bn between 1990 and 1994, is misleading, because it does not take account of inflatioo.

In fact, member states have pegged research funding at roughly 4 per cent of the overall EC hudget. Mr Ruberti said yesterday he was concerned about the level of EC funding, particularly as the US and Japan spend more on R&D as a proportion of gross national product than the EC and its member states.

The EC programme, to be discussed hy research ministers in Luxembourg next week, will be divided into 28 themes, within seven hroad areas: information and communications technology, whicb will account for 36 per cent of funds, energy (23 per cent), industrial (16.5 per cent), "life" sciences, such as biotechnology (12 per cent), environment (9 per cent), transport (2.5 per cent) and socio-economic (1 per cent).

Mr Ruberti said concentration on fewer areas would mean a reduction in funding in some sectors. He said one of bis priocipal aims was to address tbe problem of fragmentation of research policy across the Community, and the failure to disseminate tbe results of R&D.

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Saatchis in wings for debut of the Yeltsins



**NEWS:** EBRD ANNUAL REPORT

☐ Different currencies show different spending levels ☐ Investment track record criticised ☐ Disbursement a headache in East Europe

# Attali pledges to triple EBRD investments

**Anthony Robinson** takes stock of the Bank's successes and failures in stimulating private enterprise

"IT IS not fair to judge a new aeroplane by its altitude just after the take-off," Mr Jacques Attali, president of European Bank for Reconstruction and Development, protested yesterday as he summed up the first full year's operation of what he called this "unique" institution with its mandate to focus exclusively on helping the former Soviet bloc develop democracy and private enterprise.

Particularly, he might have added, as it was taking off with a newly recruited multinational crew from 40 countries and heading for the turbulence of unprecedented problems demanding innovative solutions.

Take for example the case of Balkancar, the Bulgarian fork-lift truck maker, which used to work round the clock on a three-shift basis supplying cheap, rugged forklifts to the entire Comecon market.

Its plants now work two or three hours a day, hundreds of workers face layoffs, the plant faces bankruptcy – but throughout the former Soviet Union, forklifts are being scrapped because of the lack of elementary spare parts.

Hungary's Ikarus bus factory, the Czech republic's CKD tram factory and Skoda's locomotive plant, which used to supply the Soviet railways, face a similar dilemma.

The EBRD, according to Mr Ron Freeman, the head of merchant banking, is currently looking for ways of helping Russia finance the import of spare parts from Balkancar to keep Russian factories and warehouses in operation and provide a breathing space until Balkancar itself can be reorganised and eventually privatised.

Searching for imaginative ways of keeping state-owned behemoths afloat is not strictly speaking part of the EBRD's mandate.

It is expected to allocate 60 per cent of its funds to private enterprise.

Unfortunately, privatisation has hardly started in Bulgaria, bank reform is incomplete, and thus far less than $100m (£65m) of private investment has flowed into this Balkan neighbour of warring Serbia.

Mr Alexander Bozhov, head of the Bulgarian privatisation agency, says: "We are disappointed with the EBRD because it has not yet finalised any projects here. But I have to admit that's largely our fault because we have not prepared any concrete proposals either."

The list of EBRD projects approved last year, as detailed in the annual report, reflects the wider experience of the World Bank, the IMF and private investors who have all concentrated their first efforts on those countries which have stabilised their currencies and have introduced privatisation, banking and bankruptcy laws and reformed their tax systems.

The bulk of approved EBRD projects are in the Czech republic, Hungary and Poland. Private investors have put $7bn into these three states – but little elsewhere in the 22 countries in which the EBRD operates, except for a few potentially big, capital-intensive projects in resource-rich, private-investment-welcoming new republics like Kazakhstan.

Mr Attali pledged that the rate of disbursement of EBRD financing would triple this year as projects in the pipeline came to fruition and key reforms, especially banking sector modernisation and the cleaning-up of enterprise balance sheets, fall into place.

The exponential growth in private sector enterprise – it already accounts for well over half the GDP in Poland and is rising throughout the region – should also make it easier to raise the proportion of funds going to local entrepreneurs.

Until now, however, the figures show that it has proved easier to make co-financing deals with the existing international institutions, banks and private companies than to lend to fledgling local entrepreneurs with no real track record and little chance of attracting funds from private banks or other sources than their own.

The classic deal of this kind was EBRD's modest Ecu102m (£80m) contribution to Volkswagen's eventual Ecu3.49bn commitment to Skoda in the Czech republic, followed by its part financing of Air France's investment in Czechoslovenska Airlines.

In Poland the EBRD contributed Ecu5.5m to AAB's Ecu15.4m extension to its ABB Dolmel venture in Poland, and has co-financed the Pilkington glass project in Huta Sandomierz and Lucchini of Italy's modernisation and acquisition of the Huta Warszawa steel works.

The EBRD's initial emphasis on co-financing western projects, on financing endless technical studies, pilot privatisation projects and its cautious, commercial approach to lending to fledgling local entrepreneurs has its critics in eastern Europe as well as London.

"The EBRD promised to be innovative but in practice it's very conventional," complained a Polish businessman frustrated by lengthy correspondence and meticulous procedures.

The hope in eastern Europe is that the bank will be better able to accomplish its primary purpose of helping to foster local private initiative and enterprise once bank reform, bankruptcy and property laws are in place.

The concern is that the bank will get too involved in long-term infrastructure, energy and environmental projects, including the new nuclear safety facility.

Significantly however, two of the latest EBRD initiatives are directed at helping the growth of private banking in eastern Europe. It has just subscribed to 20 per cent of the shares of Ion Tiriac bank, the leading privately-owned bank in Romania, and a 28 per cent stake in Poland's Wielkpolski Bank Kreditowy. The bank is also involved in a complex Polish scheme involving 180 companies which figure as bad loans on the books of Polish banks about to be privatised.

In these cases the EBRD stepped in where private western banks have thus far been reluctant to tread. Eastern Europe is a risky part of the world for pioneers.

Given the banks cost structure and organisation it is not able profitably to make loans smaller than around Ecu5m.

But by lending to fledgling local banks which are equipped to exercise due diligence and assess the creditworthiness of small to medium private companies the EBRD hopes to be better able to fulfil its mandate to help the emerging private sector.

# Overspend at bank put at 20%

By David Marsh and Andrew Jack

THE European Bank for Reconstruction and Development's accounts show spending on overheads last year exceeded its budget by 20 per cent in terms of European Currency Units.

The bank insists that its costs – most of which are paid out in the British currency – were in fact less than budgeted when measured in sterling.

Overhead expenses net of government grants came to Ecu50.7m, compared with the budgeted Ecu42.1m, up from only Ecu12.2m in the bank's start-up year in 1991.

At the Ecu exchange rate at the beginning of 1992, the budgeted figure for last year was the equivalent of £30.1m. At the Ecu rate at the end of 1992, the actual amount spent was the equivalent of £40.4m.

Despite this, EBRD officials said yesterday that, compared with the original sterling figures forecast for 1992, spending showed a slight fall.

EBRD officials said yesterday that the difference between the sterling and Ecu calculations partly reflected the impact of procedures for depreciation of capital spending. It said the discrepancy was also due to transactions carried out at the start of each year to translate the bank's income – denominated in Ecus, and accruing in a variety of currencies – into sterling for spending during the year.

This practice of "hedging" its Ecu income is meant to avoid exposing the bank to foreign exchange risks. In fact, it meant that the EBRD failed to benefit, as it would otherwise have done, from sterling's sharp fall against European currencies towards the end of the year.

The bank's overall administrative costs, including personnel costs, totalled Ecu96.2m last year, slightly higher than the budgeted Ecu95.2m.

The relatively small overshoot reflected the impact of lower-than-budgeted personnel costs, which amounted to Ecu45.5m compared with the budgeted Ecu45.5m – a fall which was presumably due to the decline of sterling during the year.

Smouha: lead partner in audit

Mr Jacques Manardo, the principal accountant responsible for EBRD's audit, yesterday said he was fully satisified with the internal controls operated by the EBRD. "It's a small, well managed operation. I don't perceiva any lack of transparency," he said.

Deloitte Touche Tohmatsu won the audit for the EBRD after a competitive tender among the leading international accountancy firms.

The audit is co-ordinated from London, although the audit report is signed from Paris because that is Mr Manardo's base.

The lead partner on the audit is Mr Brian Smouha, liquidator of the collapsed Bank of Credit and Commerce International and a banking partner with Touche Ross, the DTT affiliate in the UK.

There are another four auditors in London, and about six more overseas, with auditing of loans and operations in eastern Europe co-ordinated by an accountant in DTT's Budapest office.

The accounts are prepared in accordance with international auditing and accounting standards, modified to meet the structure of the bank and certain EC regulations.

# You win some... you lose some...

## Some bankers are questioning EBRD's expertise as well as its luck, reports **Nicholas Denton**

ANY investing institution has its share of successes and failures. The European Bank for Reconstruction and Development has proved no exception. It is unfortunate for the EBRD's reputation however that the bank's first and most closely watched equity involvement, in Microsystem of Hungary, is one disappointment.

Microsystem, a leading private computer company, looked a good prospect when the EBRD in December 1991 approved an investment.

Eight software experts had founded the firm in 1983 with "some programming expertise, $2,000 and a pencil." Microsystem rode the back of the personal computer boom to expand rapidly in the second half of the decade. The company evaded Cocom restrictions on technology transfers, imported clones from Asia and added huge mark-ups to the prices charged to Hungarians.

In the early 1990s Microsystem diversified into telecommunications, a growing sector in eastern Europe. The company's managers did not, however, want to lose their independence by teaming up with a large western computer company.

So Salomon Brothers, the company's advisers, brought in the EBRD as a core outside shareholder around which other investors would congregate. The EBRD paid $3m (£1.95m) for a 17 per cent stake.

The bank held up the investment as a model. The transaction countered criticism that the Bank was dealing too much with state companies and institutions, rather than encouraging the nascent private sector in eastern Europe.

"Everybody was happy," says Mr Peter Vadasz, chairman of Microsystem. That is no longer so, as Microsystem's financial performance rapidly soured the relationship with EBRD.

Fierce price competition in the computer business worldwide combined with the opening of the local market to legitimate imports. Companies such as Microsystem, which developed high overheads in the days of high profits, suffered from undercutting by western distributors. Microsystem plunged into loss in 1992 and turnover slumped 24 per cent to Ft1.8bn (£1.3m), although the company now detects a recovery in profitability.

The EBRD is clearly dissatisfied with Microsystem's financial performance. For his part, Mr Vadasz has expressed irritation at constant demands for information from shareholders. Mr Vadasz is also disappointed that the EBRD's seal of approval carried so little weight for customers.

"We promised high profits; they promised help; neither of us kept our promises 100 per cent," Mr Vadasz says.

Nevertheless EBRD officials adopt a stoical stance. The name of the game is investment, says one: "You win some, you lose some." EBRD's Budapest office prefers to point to winners such as Petofi Nyomda, a successful privatised printar which has received EBRD credits.

But some bankers question the EBRD's expertise as much as its luck. Says one senior figure who was invited to participate in the Microsystem placement: "It is a disaster, a totally irresponsible deal. I think that company has no future."

This kind of comment is particularly damaging for the Bank. For the EBRD prides itself on a catalytic role. The bank boasts that its presence gives a seal of approval to a transaction and attracts other investors.

But that depends on the investor community's confidence in the EBRD's judgment. The Bank cannot afford too many Microsystems.

# Tired Yeltsin may win apathetic Yes

## A faltering president has fought a wooden campaign, failing to inspire the Russian people

By John Lloyd in Moscow

### This man Yeltsin


1987
MAYOR OF MOSCOW: outlining his plans for the city


1992
PARTNER WITH THE WEST: sharing the limelight with Group of Seven leaders at their summit in Munich


1990
PRESIDENT OF RUSSIA: delivering his acceptance speech to parliament


1991
LEADER OF THE PEOPLE: celebrating with a tank driver the restoration of constitutional government after the failed coup against Gorbachev


1993
A TROUBLED MAN: holding back tears at the funeral of his mother

THE Russian referendum on Sunday is likely to be as fateful a vote as any which Russians have made in their brief period of statehood. But the campaign has not been inspiring.

Mr Yeltsin, on his own admission yesterday, is exhausted. He has acted like it: he appeared briefly at a heavy metal rock concert outside of the Kremlin on Wednesday night with an aide supporting his elbow (though perhaps it was the appalling sound from the loudspeakers which made him queasy.)

On the campaign trail he has rejected the opportunity to energise and inspire his fellow Russians. Instead he has chosen largely to ignore them. His public appearances, as yesterday in Izhevsk in Udmurtia, have been curt and downbeat, his speeches bland, his message crudely simplified.

The referendum itself is the result of horse trading between a president and parliament who had grown not just to distrust, but to hate, each other. The original impulse of Mr Yeltsin to seek a simple vote of trust, was amplified at the last Congress of People's Deputies in early April into a four-question ballot on trust, approval of the government's economic and social programme and early elections for president and parliament.

The outcome is uncertain: polling in Russia is in its infancy, and the better established organisations - like Mnenie (Opinion) point to wide regional disparities and a very high proportion of people still undecided.

The consensus is that Mr Yeltsin will win on "trust", may lose on support for his economic programme and that those voting either for or against the two questions on early elections for parliament and presidency will not have sufficient numbers to cross the threshold of 50 per cent of the electorate required by these two questions.

Insofar as Mr Yeltsin and his associates have elaborated themes, they have been simple and stark. Mr Yeltsin has posed the choice as being between himself and chaos - and communist chaos, at that. In this he has been supported by a number of his ministers.

Mr Andrei Kozyrev, the foreign minister said in Arkhangelsk earlier this week that "a No vote would mean that Russia will be forced back into isolation and confrontation with the world". Mr Anatoly Chubais, the deputy prime minister for privatisation, said that "battle hardened communist forces", already attacking his privatisation drive, would "wholly reverse" the reforms if the referendum was lost.

Against this, the opposition have focused on the issue of corruption, undoubtedly striking a popular chord. Since the scabrous speech by Vice-President Alexander Rutskoi to parliament last week, much attention has focused on his allegations of criminality or criminal negligence against the government and inner circle of Yeltsin advisers.

Yesterday the prosecutor-general's office said it was investigating allegations that defence minister Pavel Grachev was involved in a swindle involving property belonging to Soviet troops in Germany.

How far Mr Yeltsin himself has been touched by this cannot be ascertained - though his press secretary expressly denied a story published by Pravda alleging that he had built himself palatial dachas in various locations in Russia.

For the poor, who form a large proportion of the Russian population and who - on polling evidence - are largely against Mr Yeltsin, the undoubted corruption of state officials is a terrible added insult to their mean lives.

To offset such sentiments Mr Yeltsin has issued a series of decrees over the last two weeks which have been nakedly aimed at buying support: one doubled the minimum wage to Rbs4,500 a month, albeit still below the poverty level.

The real issues facing the country - the largely unfulfilled prospectus of economic reform above all - have not had much of an outing - certainly not from the president, whose most animated utterance yesterday was when he shouted to a crowd of supporters in Izhevsk that "I have come to solve all your problems".

Beneath the surface, a scarcely-disguised anxiety is evident among the radicals who still form the economic backbone of Mr Yeltsin's team. Mr Yegor Gaidar, the former prime minister, warned in St Petersburg on Tuesday that "a retreat has started in economic policy and forces are at work which could restore state control over the economy".

Mr Chubais, asked about Mr Yeltsin's appointment of his long-time associate Mr Oleg Lobov as first deputy prime minister for the economy, saw it as the possible reassertion of the rule of Gosplan, the once-dominant central planning ministry.

Mr Yeltsin has said he will resign if he loses. He may, of course, change his mind if he is persuaded that to hand over power (as the constitution demands) to General Rutskoi would be to betray his reform path.

In this case a dangerous situation arises: General Rutskoi has been drawn increasingly into the hardliners camp led by the Russian Unity group, whose leader, Mr Vladimir Isakov, yesterday announced that a newly-formed union of hardline forces would use force if they felt the constitution was being threatened.

The much-mooted civil war could find its origin there.

If he does lose and does go, the chaos painted by himself and his supporters would ensue only if General Rutskoi tries to make his temporary guardianship of the presidency until elections into a more permanent one, and cracks down on Mr Yeltsin's supporters and appointees.

There is a growing field of reformist politicians willing to compete for the top job: both Mr Sergei Shakhrai, the deputy prime minister and Mr Grigory Yavlinsky, the prominent economist, have said they will stand if Mr Yeltsin steps down. Mr Gaidar is a political as well as an administrative figure, and the cabinet contains other ministers - such as Mr Boris Fyodorov, Mr Chubais and Mr Alexander Shokhin, all with deputy premier's rank - who are competent and capable of standing the strain.

In the more likely eventuality of a victory on Sunday, Mr Yeltsin has several times indicated that he will embark on radical reforms. Last week he said he would bring in decrees aimed at widening private ownership and introduce a new phase of radical reform. Yesterday in Izhevsk he said that he would institute "tough measures" against his opponents: Mr Sergei Filatov, his chief of staff, said on Tuesday that a victorious Yeltsin would immediately seek to introduce a new constitution to replace the present one.

Most of these actions are likely to be unconstitutional: indeed, the tougher they are, the more outside the current law they will be.

Since the referendum carries no constitutional weight, the formal power structure will be the same on April 26 as it is today; and it is on this structure, with its vested interests, many of which have retained their power and privileges from the Communist era, on which Mr Yeltsin and his team must launch themselves.

Maybe Mr Yeltsin has already discounted the referendum, and is garnering strength for the larger battle. He will need fresh strength if this referendum, meaningless in most obvious respects, is to take on symbolic value as an opening to further reform.

# Vast logistical effort across 9 time zones

By John Lloyd and Gillian Tett

THE Russian referendum on Sunday is a vast logistical exercise. Across nine time zones of a huge land mass, electoral commissions are preparing ballot papers and electoral lists to allow Russia's estimated 107m voters to give a "da" or a "nyet" to four questions:

- Do you trust the president?
- Do you approve of his social and economic programme?
- Do you want an early election of the president?
- Do you want early elections of the people's deputies?

Each one must be answered separately.

Evidence is mixed but signs are most people will have the facilities to vote despite threats by some republics and regions to boycott the poll.

An example of how the referendum will be organised can be seen at the voting station in the Lenin Rayon district of Saransk, in the autonomous republic of Mordovia.

The Saransk electoral commission was first alerted in January, but preparations were put on hold during two months of infighting between parliament and Mr Yeltsin.

Once the form of the referendum was decided early this month, work was begun in Lenin Rayon, much of it by student nurses. Like most places in Russia they have no computers and everything is being done by hand or on battered old typewriters.

**'We were given only two weeks to prepare but we will manage'**

"We have to do a lot of work in a very little time," says Mrs Yelina Lyudmiliavna, chairwoman of the 14-strong electoral committae for Lenin Rayon.

The young nurses must first verify the district's 2,000 voters, then write out invitations, vote and address 2,000 envelopes and dispatch them by hand. When they come to the polling station the voters will exchange their slips for a ballot paper, go to curtained booths, and make their choice.

"We have a lot of experience from the Soviet time," says Ms Larissa Vitalievna "We had a debate about whether it would be appropriate to use red banners [from the communist period] and decided no. But it's a pity we won't be able to put on a show as beautiful as we did then."

The votes will take some days to count, especially from remote rural stations, with official results unavailable until the middle of next week. First results from the cities should be known late on Sunday night or early Monday morning. Western-style exit polls are not expected to be used.

The president's men are worried by the possibility of a low turnout, and by the refusal of some regions or republics to provide polling stations. Mr Sergei Filatov, chief of staff to Mr Yeltsin, said on Tuesday that their polling showed a possible turnout as low as 53 per cent.

He said that, according to their information, only 73 per cent of the voting districts were "technically ready" to conduct the referendum.

Mr Yeltsin felt it necessary to issue an order this week which specifies that the militia must turn out in force to ensure order during polling.

## Support for Yeltsin in the Mordovian republic is unlikely to be strong

# Cold comfort in rebellious Saransk

By Gillian Tett, recently in Saransk, Mordovia


IN the cold central square of Saransk, the shabby capital of Mordovia, the republic's embattled president is housed in a large, grey building. Locals mischievously call it the "white house," - a reference to the Russian presidential "white house" 500km to the west in Moscow.

In a virtual mirror image of the struggle being played out nationally, a political drama is unfolding in Mordovia which could call into question the very future of Russia as a federal state.

Earlier this month the Mordovian parliament, dominated by former Communist apparatchiks, moved to oust Mr Vasily Guslyannikov, the Mordovian president, who, like Mr Yeltsin, came to power through popular elections.

Mr Yeltsin issued a decree declaring the move illegal and ordered it to reinstate Mr Guslyannikov. This week Mordovia's parliament stepped up its challenge, establishing a parallel government and constitutional court.

Mr Guslyannikov, who still sits in the "white house" insists that according to the Russian constitution he is still president, supported by Mr Yeltsin and the local militia.

The drama unfolding in Mordovia reflects a battle occurring in many regions between reformist governments and conservative parliaments. "What is happening here is a drive by the communists to regain power. The same thing is happening across Russia and in Moscow," says Mr Guslyannikov, a former engineer.

Across the square in the sugar pink building of the Mordovian parliament, deputies insist the newly written Mordovian constitution makes the president powerless. "The president can say what he wants, but no one obeys his orders," says Mr Nikolai Biryukov, chairman of the parliament, and a long time Communist.

Mr Guslyannikov became president in the sama year that Mordovians voted overwhelmingly for Mr Yeltsin in Russian presidential elections. In two years he has freed prices, started land reform, and attempted to hold new elections for the republic's parliament. These moves have met with stiff opposition from parliament, which, like the Russian parliament, was elected under the old system. The parliament argues that Mr Guslyannikov's government is too inexperienced to rule, and that the pace of reform has been too fast.

"I favour a regulated market, not the chaotic bazaar that we have now," says Mr Biryukov, who believes land should remain collectively owned, that food prices should be regulated and that single candidate "elections" are perfectly valid.

Beyond the struggle over reform, there is also a second issue at stake: the status of Russia as a federal state.

The Mordovian parliament insists it wants to remain part of Russia, not least because the republic is heavily dependent on Moscow' subsidies - tha largely agricultural republic is one of the poorest in Russia.

But parliament's refusal to recognise Mr Yeltsin's decrees illustrates the confusion that surrounds the atatus of the Russian constitution and the degree to which Russia'a regions are successfully challenging Moscow'a control.

The local militia and most of the weary 1m-strong population of Mordovia, a mixture of Russians and Finno-Ughric groups, remain aloof from the conflict, for the moment. Mr Biryukov has little outright popularity, but Mr Guslyannikov's support has been crumbling fast as living standards have fallen and prices risen - only two people turned out to picket parliament this week.

But as the republic prepares for Sunday's referendum, this disenchantment seems likely to rub off on Mr Yeltsin too.

At a nursing college in Saransk, which is acting as a polling station, Mrs Larrissa Vitalievna, an adminiatrator, predicts that support for Mr Yeltsin will be weak. "Two years ago we believed so much and hoped so much. . . "But the prices have gone up so much, and we see stupid people become millionaires and highly qualified people become poor".

In the countryside, a small band of new, private farmers remain solidly behind him.

However, most state enterprises are trying to ignore the power struggle, relying instead on Moscow for their trading licenses. "What we want is stability," sighs Mr Gennady Uktukhin, head of Mordovia's only commodity exchange. "How can we ever hope to run or reform an economy, when we have two separate governments, sitting in two separate buildings, to deal with?"

# Barnstorming campaigner seems to be losing will to win

## Yeltsin's fire has faded since his experiences at this month's Congress

HAS President Boris Yeltsin the will to win? It has not seemed like it, so far, in this "campaign". The barnstormer of presidential elections two years ago has become a wooden figure, walking through engagements and stumbling through speeches, write John Lloyd from Moscow and Gillian Tett from Izhevsk.

Yesterday he made a high-profile attempt to win the support of Russia's huge military industrial complex with a visit to the Russian republic of Udmurtia - hitherto one of the most militarised and secretive regions in the country.

But his appearance in the capital, Izhevsk, was far removed from the standards of western political campaigning. Although a small group of supporters turned out in the muddy streets to cheer the presidential cavalcade, Mr Yeltsin refused to give them more than a few stiff waves and a weak smile as he dashed between a series of closed-door meetings.

His visit to Izhevsk had been billed as the last leg of his pre-referendum campaign, a campaign which has taken him across Russia'a provinces.

But he told those assembled yesterday: "I have come for a working visit, not for political meetings or campaign speeches."

At the Izhmash Weapons Enterprise, Mr Yeltsin briefly regained a flash of his old campaigning style when he stopped to wave and speak to the crowd gathered next to an old stature of Lenin. "I have come to solve all your problems," he announced majestically before striding into the plant to discuss with city leaders the problems of conversion of military plants.

But such glimpses of the old campaigner have been few and far between. Last week he read out a prepared statement to journalists as though seeing it for the first time, then answered questions in an offhand manner, coming alive only when he said he would resign if the referendum was lost.

He was perfunctory in Novokuznetsk in Siberia 10 days ago, rushing through meetings looking impatient and ungracious. In Vladimir last Sunday he walked in the Easter procession but said little of note.

Vice-President Alexander Rutskoi, the only Russian politician who approaches Mr Yeltsin's popularity, claimed before parliament last week that the ruling power structure, and in particular the president's closest circle, was corrupt and pursuing self-enrichment while Russia languishes in poverty.

In the face of this, Mr Yeltsin has not recovered the fighting spirit which was his trademark and his boast. A month ago, addressing the nation on television, he said: "I am determined to act resolutely... if political squabbling is not halted, if no resolute measures are taken to resolve the political crisis, if no powerful momentum is given to the economic reforms, the country will be pushed into anarchy."

Yet the resolute action faded away during the Congress of Peoples' Deputies this month, where at one stage, reeling on his feet, he begged for a compromise with those with whom he had said no compromise was possible. The experience of that Congress seems to have made him lose heart.

Mr Yeltsin was right in his speech: the country is indeed threatened, if not with anarchy, certainly with a further descent. Mr Yevgeny Yasin, director of the Expert Institute of the Russian Union of Industrialists and by no means an opponent of Mr Yeltsin, said last week: "The government is weak and resorts to populist meaaures... this year will not become the turning point in our struggle against the crisis, and we will meet the year 1994 with a weak state power and ineffective state regulation."

Mr Boris Fyodorov, the deputy prime minister in charge of finances, put it yet more starkly on April 7: "By giving money to this or that sector we have so far averted catastrophe but in six months hyperinflation will finally exhaust the economy and the budget will collapse. The financial and credit system will break down soon afterwards."

All this would happen, said Mr Fyodorov, if the resolute action Mr Yeltsin has promised is not taken. But first he must win the referendum, and yesterday in Udmurtia he refused to predict the outcome of Sunday's all-Russian vote.

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## NEWS: THE AMERICAS

### Menem to unveil big loans and tax package next month

# Help on way for industry in Argentina

By John Barham in Buenos Aires

ARGENTINA is to introduce an ambitious support programme for its industry, battered by heavy import competition and declining prices.

Details of the package are not clear yet, but President Carlos Menem is expected to announce on May 1 measures including $4.5bn in loans for industry and agriculture and elimination of several taxes, especially a 1 per cent tax on corporate assets.

The package will also include a "modification" in trade policy. This could include stricter enforcement of "fair trade" regulations, such as anti-dumping rules, as well as a new shift in import tariffs that were last adjusted upwards last October.

The package coincides with alarm over Argentina's widening trade deficit. Private economists now expect the deficit to rise to $3bn-$4bn this year, after a $2.87bn trade gap in 1992. Originally, the government had promised the deficit would fall by half this year.

An Economy Ministry official denied the measures implied a softening of Argentina's free market policies. He said the $4.5bn loans "are not incentives or tax exemptions or anything like that. They are directed at companies that have put their house in order."

The government's main objective was to increase companies' international competitiveness by reducing their operating costs and thus releasing pressure on an already overvalued currency, he said. Companies would borrow from the state-owned Banco de la Nacion Argentina at better terms than from private banks. This would force the banking system to lend more to capital-starved industry and less to consumers.

However, no firm figures are available on the cost of this package. Some economists claim the government's budget surplus is under great pressure. But officials say Argentina easily met IMF targets that called for a $950m budget surplus in the first quarter.

*Balancing act: President Bill Clinton searches for a mark on the floor as he prepares for a photo session with east European leaders in Washington*

# Castro keeps observers guessing over successor

**The last months have offered insights, writes Canute James**

WITH the Cuban economy in a state of collapse following the end of economic support from the Soviet Union, many observers believe the subject of Fidel Castro's successor is out of the president's hands.

But for those who believe Mr Castro will be able to hand over power peacefully, the last few months have provided some interesting material.

First, Mr Castro indicated he might step down in five years' time. Then he appointed as foreign minister last month the inexperienced Mr Roberto Robaina, a possible sign that the 37-year-old former leader of the Union of Young Communists is being groomed for leadership.

Mr Castro, recently re-elected as president of Cuba's council of state for a further five years, indicated he had made no decision on his retirement, only that he hoped it would not be necessary for him to be president after his new term. These public musings to foreign journalists have, however, been played down in Cuba's domestic media.

The Cuban leader, now 66, has spoken repeatedly of the need to "reinvigorate" the revolution, suggesting that younger leaders are needed. Mr Robaina, who will be 42 at the end of the president's current term, fits the bill.

Although he has flirted with cosmetic changes to policy, Mr Robaina's public ideology is almost identical to Mr Castro's. He has, however, attempted to modernise the image of the party, for example by organising pop concerts in an attempt to keep young Cubans faithful.

Should the foreign minister falter in the race or fall out of favour, Mr Castro has several options. One is Mr Carlos Lage, architect of the economic policies with which the government has been fighting the setbacks of the last two years. Mr Lage, 42, has hinted at soma moderation in economic policy, and has been pushing foreign investment in the Cuban economy.

The losers now appear to be Mr Raul Castro, the president's brother who is the first vice-president and the armed forces minister, and Mr Ricardo Alarcon, former foreign minister who is now president of the National Assembly. If President Castro favours youth, both of these men are likely to be overlooked. Mr Alarcon will be 60 in five years, while the younger Castro will be 66.

President Castro may also be concerned that, were he to leave office without identifying a successor, pretenders to the presidency or the army could be drawn into a fight, defeating his hopes for a seamless transition.

Although Cuba's campaign to attract foreign investment represents a big about-turn in economic policy, Mr Castro's ideological rhetoric remains much the same. He continues to argue that Cuba will not abandon the socialism of the revolution despite heavy foreign economic pressure.

He has said, however, that if his departure from office would lead the US to lift its crippling 30-year embargo, he would go immediately.

US government officials say that barring a reversal of policy by President Bill Clinton, the dismantling of the embargo and normalisation of relations between Washington and Havana would depend on more than Mr Castro's stepping aside.

Loosening the Cuban Communist party's grip on the country and the installation of a popularly elected government through multi-party voting is the required minimum.

While some observers argue that the worst of Cuba's economic problems following the end of Soviet support are over and that the economy is showing signs of a modest recovery, the country still faces shortages of food and other basic supplies which have been compounded by damage from the recent storms.

Despite all the setbacks, Mr Castro remains truculent – Cuba, he says, will successfully battle its political enemies and natural disasters, in order to protect socialism.

# Alabama's governor guilty of funds fraud

GOVERNOR Guy Hunt of Alabama was removed from office yesterday after being found guilty of diverting to his personal use money raised for his inaugural ceremonies, writes George Graham in Washington.

Mr Hunt – who will be replaced by a Democrat, Lieutenant Governor Jim Folsom – was Alabama's first Republican governor since the reconstruction period after the civil war. He faces up to 10 years in prison, but could be reinstated if the conviction were overturned on appeal.

A Montgomery jury found Mr Hunt guilty of violating the state ethics law by using $200,000 (£130,000 from a fund intended to help pay for his 1987 inauguration to buy personal property and pay off personal debts. Mr Hunt said he had used the money properly to pay off debts from his unsuccessful 1978 campaign for governor.

# Merck price line rebuffed

By Paul Abrahams

PROPOSALS by Merck, the largest US drugs group, on how the industry should respond to political pressure over pricing, were rejected yesterday by another company, Warner-Lambert.

Merck's chief executive, Mr Roy Vagelos, has proposed limiting price increases on all prescription products to the rate of inflation plus 1 per cent.

He suggested that drugs groups should sign contracts with the government and pay revenues from excess price increases to improve access to health care.

Pfizer, Eli Lilly, Amgen and Schering-Plough have all adopted the plan.

However, Mr Melvin Goodes, Warner-Lambert's chief executive, has refused. "This is not an industry proposal. It's a Merck proposal," he said.

Price controls did not work, he claimed, and he believed the Clinton administration would not implement them.

The announcement exposes a split in the US drugs industry over how to respond to increasing political attacks on its pricing policies. During the late 1980s, many groups incapable of driving volume growth compensated by increasing prices.

Warner-Lambert is a classic example of a struggling pharmaceuticals group, according to analysts. Most of its recent historic growth has been generated by price increases.

Its main volume-growing product, Lopid, a cholesterol lowering product, has been hit in recent months by price competition. Earnings are being driven mainly through rationalisation. Mr Goodes said his company would generate 7-8 per cent sales growth this year.

So far, 13 companies, including Upjohn, Eli Lilly, Lederle and Syntex, have agreed to limit price increases, on average, to the rate of inflation. This allows them to raise some prices more than the rate of inflation, while cutting others.

# Brazil to target inflation

By Bill Hinchberger in São Paulo

BRAZIL yesterday turned its attention to the expected announcement of anti-inflation measures, following an overwhelming vote in a plebiscite on Wednesday to retain a presidential system of government.

The government has said it will make an announcement about economic policy after a cabinet meeting called by President Itamar Franco for tomorrow.

Administration officials have advanced few details of the measures, although Mr Eliseu Resende, the finance minister, has been at work on policy since he took over his portfolio in early March.

The government appears set on reducing the monthly inflation rate from its present 27 per cent to about 17 per cent by the end of this year.

Ms Yeda Crusius, planning minister, reiterated at a meeting this week with business leaders in São Paulo that the government was not preparing an economic shock plan, or price freeze, that would "break contractual obligations".

She told executives to expect a reaffirmation of privatisation plans, efforts to encourage foreign investment, and moderate increases in spending on social programmes.

One probable measure is that three zeros will be trimmed from the cruzeiro.

Final referendum results are not expected until this afternoon, but exit polls confirmed predictions of an easy victory for the pro-presidential camp.

Fifty-eight per cent of voters opted to maintain the current presidential system, against 26 per cent who wanted a change to a parliamentary system, and 16 per cent of voters who rejected both options, according to the DataFolha polling service.

Voters also showed – by a 71 per cent to 11 per cent margin – their preference for the republican form of government over a monarchy.

# Rising yen prompts criticism of US

By Charles Leadbeater in Tokyo

JAPANESE business leaders, senior government officials and politicians yesterday stepped up their criticism of US economic policy towards Japan as the yen rose to another post-war high against the dollar in Tokyo.

The dollar closed at Y110.20, down Y0.15 from its Tokyo close on Wednesday. The yen has appreciated rapidly in the past week mainly driven by comments last weekend by President Bill Clinton that a stronger yen would help to reduce Japan's trade surplus with the US.

The yen's continued rise is confounding the hopes of Mr Kiichi Miyazawa, the prime minister, that the appreciation would run out of steam with the help of intervention by the Bank of Japan. If the yen continues to rise Mr Miyazawa will come under increasing pressure to take a tougher line to resist US demands for Japan to adjust its economic policies towards US priorities.

Mr Masaru Hayami, chairman of the Japan Association of Corporate Executives, said Mr Clinton's remarks were "strange", "indiscreet" and "difficult to understand", terms of criticism in the language of Japanese politics. Mr Hayami said the slump in the dollar would damage the US economy by fuelling inflation

Muto: found Clinton's remarks to be 'deplorable'

and increasing pressure for higher interest rates.

A senior official at the Ministry of Trade and Industry echoed Mr Hayami's remarks. Mr Yuji Tanahashi, Miti vice minister, said the yen's rise could stifle the recovery in the Japanese economy, which the US has urged to create higher demand for imports, as one of the most important ways to cut the Japanese trade surplus.

Meanwhile, Mr Kabun Muto, the recently appointed foreign minister, is fast establishing a reputation for outspoken criticism. Mr Muto, who on Wednesday described Mr Clinton's remarks as deplorable, yesterday attacked US trade policies designed to open up the Japanese market.

Mr Muto said the US market for manufactured goods was more closed than the Japanese market. He said the increase in the value of the trade surplus was partly due to the rise in the yen and Japanese companies' decision to increase the price of their exports to avoid anti-dumping actions by the US government.

The frailty of the Japanese economy was underlined by a 3.4 per cent fall in household spending in February compared with the year before. Average spending by salaried workers fell 0.7 per cent while that of non-salaried households fell 8.4 per cent.

Spending on transport and communications rose 13.6 per cent, and spending on clothes just 1.5 per cent. However spending on food, health care, furniture and household appliances fell, with education expenditure down 15.8 per cent and that on housing 13.8 per cent lower. The slide in consumer spending was reflected in sharp profit falls at several leading retailers yesterday.

The machinery industry forecast a 0.7 per cent increase in sales for the year to the end of next March, reflecting the prolonged slowdown in corporate investment.

Meanwhile, regional officials of the Finance Ministry, meeting in Tokyo, forecast the economy would begin to recover, albeit modestly, from the second half of the financial year.

# Holiday bonus from downturn

By Charles Leadbeater

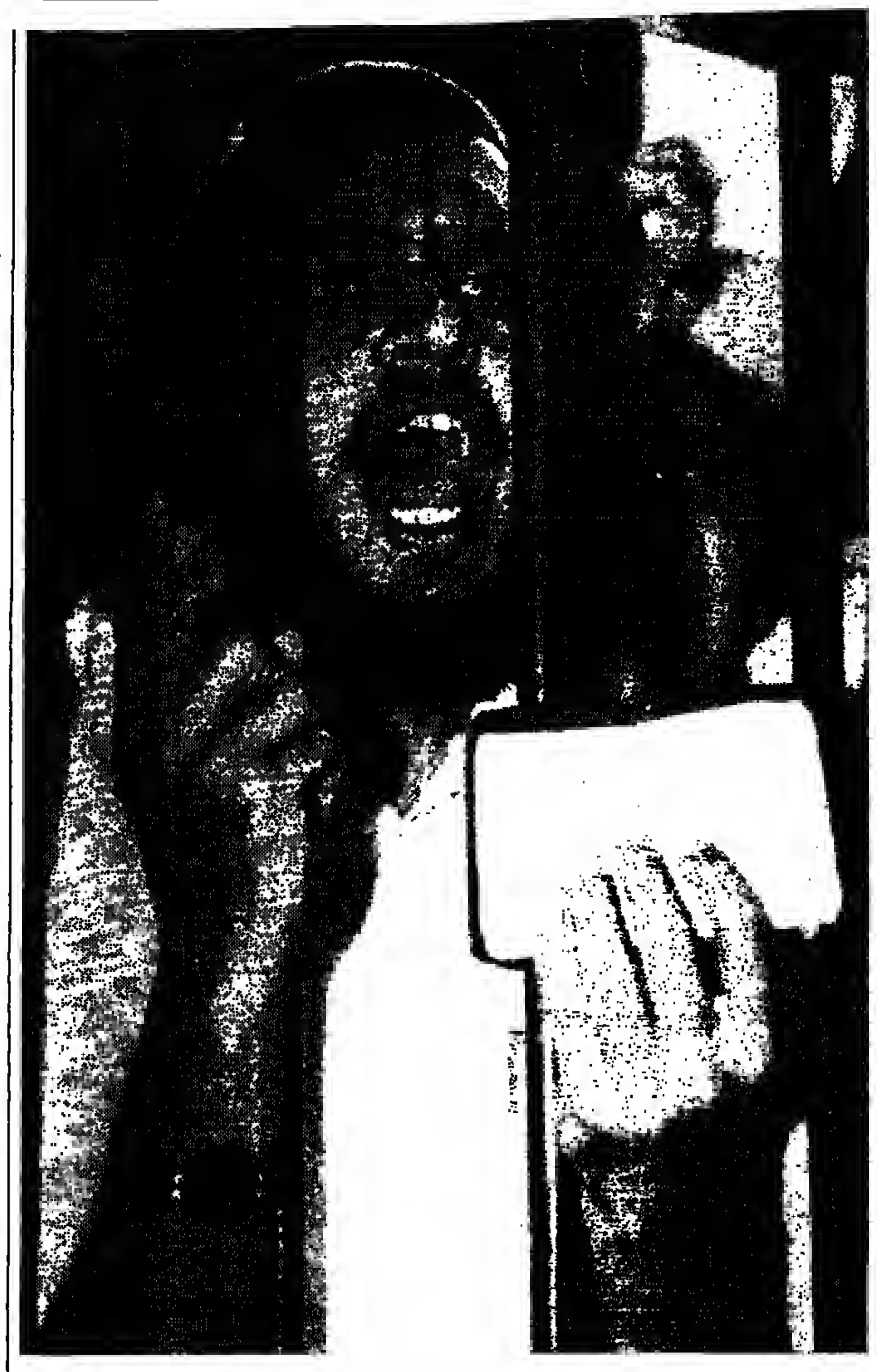
THE Japanese economic downturn is at least bringing an unaccustomed benefit to the loyal ranks of Japanese workers; longer holidays.

Most of Japan is preparing to shut down from the end of next week for the annual "golden week" holiday, when more than 1m Japanese tourists are expected to take advantage of the yen's recent strength to travel abroad.

A Labour Ministry survey published yesterday suggests most will have slightly longer than usual to enjoy their travels. The ministry's survey of about 1,300 companies found that the average company was providing its workers with 5.5 days holiday, an increase of half a day from last year.

However at some particularly hard-pressed companies the annual holidays are being extended even further. Two car component makers are reported to be giving their workers 12 consecutive days' holiday, while a leading maker of musical instruments is giving its staff no fewer than 16 days' leave.

In contrast semiconductor makers, which are enjoying strong demand from the revival of the US economy, have cut holidays to four days from five last year.



A defendant holds the Koran and chants as an Egyptian military trial of 49 Moslem militants ended yesterday. Seven were sentenced to death for attacking foreign tourists and conspiring to topple the government, Reuter reports from Heikstep, Egypt. The court ordered life prison sentences with hard labour for three defendants. A further 22 were given jail terms ranging from two to 15 years, and 17 were found not guilty. Those condemned to death were charged with five specific gun and bomb attacks on tourists which killed a British woman and wounded nine other foreigners.

# SA violence brings out white fears

## Business mood approaches new depths, Philip Gawith writes

MR Nelson Mandela, African National Congress president, this week issued a plea to whites not to leave the country. He said South Africa had no chance of prospering without their skills. For white South Africans it was a timely recognition from the country's most important black leader that they too are an important constituency whose needs must be considered.

Since the assassination 10 days ago of Mr Chris Hani, the prominent activist, South Africa has heard much about black anger. But the other side of black anger is white fear, and there has been a lot of it about.

Local radio chat-shows have been awash with calls from whites anxious about their future, and removal companies have reported the usual upturn in inquiries from those planning a quieter life elsewhere.

In its own way, the death of Mr Hani was as much a shock to white South Africans as to blacks. Many white liberals described the week after Mr Hani's death as the worst of their lives. This was an expression not so much of physical fear – of spears tapping on the windows, in the words of one – as of depression and foreboding.

At one level, this makes little sense: the number of deaths per day has remained below levels prevailing earlier in the year. What it illustrates is the fragility of spirit in the white community. Although most whites favour the reform process there are grave fears about what the future holds.

White politicians have sought to calm their constituency, but the assurances they really need can only come from black leaders whose attention recently has been focused rather more on their own support base. Mr Mandela's comments at a small Johannesburg gathering on Wednesday represented progress, but would have had much more impact if spoken at a mass rally or on prime-time television. As it was, few newspapers reported them.

Also, they sit uncomfortably alongside the ANC's calls for a six-week mass action campaign. Few things depress white sentiment more than visions of a future in which city centres are permanent hostage to some form or other of mass protest.

The prospect of further mass action has also been met with alarm in the besieged business community, which has experienced three successive years of negative economic growth, with little, if any, revival expected in 1993.

The barometer of manufacturing confidence, published by the independent Bureau for Economic Research, showed confidence levels before Mr Hani's death were barely above the nadir reached during the the foreign debt crisis of 1985. They can only have deteriorated over the past two weeks.

The view from the ground confirms this gloomy perspective. Mr Ian Willis, chairman of Holdains, the country's second largest packaging group, notes: "It is as tough today as it has been, and for the rest of this

**The death of Mr Hani was as much a shock to white South Africans as to blacks**

year it will get tougher." His views are echoed by Mr Ken Ironside of Barlow Rand, the largest industrial group in South Africa. He says sales volumes continue to decline, trading conditions remain difficult, and even in successful areas, such as food and pharmaceuticals, conditions appear to be getting worse.

Mr Willis says he doubts whether Mr Hani's death will "disrupt where the train is headed". It will, however, in the words of Mr Jan Robbertze, managing director of Anglovaal Industries, serve to "keep uncertainty and underlying unease in place".

These factors, together with the depressed economy, have already nearly throttled investment spending. Reserve Bank figures show that South Africa's investment rate (gross domestic fixed investment as a percentage of gross domestic product) has fallen from an annual average of over 23 per cent in the period 1965-1985 to a post-second world war low of 15.9 per cent in 1992. This figure barely covers depreciation.

Mr Derek Keys, finance minister, has made fostering business confidence a priority, but was recently forced to confess that his efforts so far had borne little fruit. The ANC does not see business as a constituency and hence is largely silent on the issue. Indeed, the ANC's political and economic pronouncements continue to have a net negative effect on business confidence.

# Blackout imposed on HK talks

By Tony Walker in Beijing and Simon Holberton in Hong Kong

BRITISH negotiators yesterday imposed a news blackout on details of their talks with Chinese officials on the future of Hong Kong after three and a half hours of discussions in a secluded Beijing diplomatic compound.

A British embassy official said after the talks that he was "not even permitted to use an adjective" to characterise the meeting.

In Hong Kong Mr Chris Patten, the governor, said that any agreement reached in Beijing would have to command broad support in the colony and in its Legislative Council.

Mr Patten told the Legislative Council, Hong Kong's lawmaking body, that it was Britain's aim to remain true to undertakings it had made to the people of Hong Kong about the openness and fairness of elections due in 1994 and 1995.

"Wa have not travelled this far to abandon those undertakings now," he said.

The forcefulness of his presentation gave little cheer to those who might be expecting a British climbdown.

Before the two sides sat down in Beijing, Sir Robin McLaren, Britain's ambassador to China and head of the British team, described himself as a "professional optimist", and said that the British side was looking forward to a "successful outcome".

China's chief negotiator, Mr Jiang Enzhu, vice foreign minister, told reporters that "the Chinese side has sincerity in the talks and it is my hope that the talks will yield positive results on the basis of the important agreement between the two sides".

This latter was a reference to Beijing's claim that Mr Patten's proposals for a broadening of democratic reforms in Hong Kong ran counter to agreements reached with London in the 1980s about the transition to Chinese rule in 1997.

Xinhua, the official Chinese news agency, quoted Mr Jiang as saying that the two sides had agreed that the talks would be based on the Sino-British Joint Declaration, the principle of convergence with the Basic Law and relevant agreements reached between the two countries.

Differences of interpretation over these documents and agreements lie at the heart of the bitter dispute that has developed between Beijing and Mr Patten.

British officials in Beijing expect the first round of Hong Kong talks to last between three and four days, but a resolution of the problem could take months. They are warning that a successful conclusiou is not guaranteed.

Britain will be seeking agreement on a specific plan for legislative reform that is acceptable to Legco, to Mr Patten, and is reasonably faithful to London's aims of broadening popular participation in the political process before 1997.

● Solving the Sino-British row over Hong Kong is crucial to the reunification of the mainland and Taiwan, a senior Chinese official was quoted as saying by a Beijing-controlled newspaper.

"If the problem with Hong Kong could be resolved satisfaclorily, it will have extremely important effects on the reunification of both sides of the Taiwan strait," Mr Li Ruihuan, a Communist party politburo member, told Hoog Kong's Wen Wei Po.

Beijing has said it wants to use the "one country, two systems" formula of Mr Deng Xiaoping, China's paramount leader, for Hong Kong's return to China as a model for the reunification it hopes for with Taiwan.

# US to start talks with N Korea

By John Burton in Seoul

THE US is likely to start high-level negotiations soon with Pyongyang in an attempt to solve the North Korea nuclear weapon issue, the South Korean government said yesterday.

"Negotiations are now under way [to hold the talks] and, as far as I know, the time is getting ripe," said Mr Lee Kyung-Jae, the South Korean presidential spokesman.

The announcement followed a visit to Seoul by Mr Peter Tarnoff, the US under-secretary of state for political affairs, who will represent the US in its discussions with North Korea.

North Korea has long sought high-level contacts with the US as the first step to achieving diplomatic recognition by Washington. But Mr Tarnoff told the South Koreans that the forthcoming talks are a special event to solve the nuclear issue and do not represent a prelude to regular US-North Korean contacts.

Contacts between the US and North Korea have usually been limited to meetings between consular officials in Beijing.

Some western diplomats in Seoul, however, describe the proposed US talks as the first concession North Korea has won since its announced withdrawal from the nuclear non-proliferation treaty last month.

South Korea has been urging the US to hold direct talks with Pyongyang because it believes the meeting could persuade North Korea to reverse its withdrawal decision and accept nuclear inspections by the International Atomic Energy Agency.

It not seek direct talks with Pyongyang until the nuclear issue is resolved.

# Conservative leader dies after surgery

DR ANDRIES TREURNICHT, leader of the pro-apartheid Conservative party, the official opposition in South Africa's white-dominated parliament, died yesterday aged 72, AP reports from Cape Town.

Mr Frank le Roux, the party's chief whip, said Dr Treurnicht died in a Cape Town hospital several days after undergoing heart by-pass surgery.

The death comes at a difficult time for the party, which has opposed President F W de Klerk's reforms to dismantle apartheid and had one of its most prominent leaders implicated in the assassination of Mr Chris Hani, the ANC activist.

Dr Treurnicht had warned of chaos if the black majority was allowed to run the country, but he distanced himself and his party from violence and from militant right-wing groups such as the neo-Nazi Afrikaner Resistance Movement.

In the past week Mr Clive Derby-Lewis and his wife Gaye, prominent Conservative party supporters, have been arrested for questioning about Mr Hani's slaying. Neither has been charged.

Dr Treurnicht was dubbed "Dr No" for his rigid resistance to political reform. A fire-and-brimstone preacher of the Dutch Reformed Church, he entered parliament in 1971 as a candidate of the ruling National party and eventually became a cabinet minister whose portfolios included public works, tourism and state administration.

As early as the 1970s, his conservative views clashed with movements toward reform in the governing party. Dr Treurnicht was suspended as the party's Transvaal provincial leader in 1982 and weeks later resigned from the cabinet to form the Conservative party.

His party suffered an embarrassing defeat last March when whites voted overwhelmingly in a referendum to support Mr de Klerk's reforms.



# Indian investment increases

THE INDIAN government approved foreign investment proposals worth Rs42.9bn (£909m) between August 1991 and last December, more than eight times the Rs5.3bn level in the August 1990-December 1991 period, before India embarked on its libaralisation programme in July 1991, writes Shiraz Sidhva in New Delhi.

According to the Ministry of Industry's annual report yesterday, as many as 1,520 foreign collaborations were approved in the latest period, including 692 approvals involving foreign equity of Rs39.9bn, more than 32 times the foreign investment approvals of Rs1.2bn the last time.

The US continues to be the leading foreign investor in India, accounting for Rs27.8bn or nearly 60 per cent of the total approved, according to the Indian Investment Centre, a government organisation for the promotion of foreign private investment. Other countries which committed investment are Switzerland (Rs9.6bn), Japan (Rs6.5bn), Thailand (Rs3.7bn), the UK (Rs1.9bn) and Germany (Rs1.8bn).

Officials say there has been a spurt in investment during the first three months of 1993, despite the setback caused by riots and a series of bomb blasts in Bombay.

# Bhutto's husband appointed

By Farhan Bokhari in Lahore

THE political comeback of Ms Benazir Bhutto, dismissed as Pakistan's prime minister in 1990, gathered pace yesterday with the appointment of her husband, Mr Asif Ali Zardari, as a minister in the interim government.

After Ms Bhutto's government was sacked by President Ghulam Ishaq Khan, Mr Zardari spent over two years in prison. He has been acquitted on nine of 12 cases filed against him, including murder.

In February, following reports of meetings between aides of Ms Bhutto and the president, Mr Zardari was released on bail though he still faced charges of extortion, illegal possession of arms and fixing of bank loans.

On Sunday, Mr Khan dismissed the government of Mr Nawaz Sharif, Ms Bhutto's successor, who had sought to strip the president of his powers to remove governments and appoint the chiefs of the armed services. The president called elections for July.

The appointment of Mr Zardari, one of four ministers in the new government from Ms Bhutto's Pakistan People's party is a further sign of a rapprochement between Ms Bhutto and the president as part of a rapid shifting of political alliances within Pakistan.

As opposition leader, Ms Bhutto repeatedly accused the president of supporting a campaign to victimise her supporters, including the laying of false criminal charges. However, she moved swiftly to take advantage of the constitutional dispute between Mr Khan and Mr Sharif, declining to use her party's votes to back Mr Sharif.

Mr Zardari is one of 17 new ministers in the caretaker government. Finance minister Mr Farooq Leghari, deputy leader of the PPP, and planning minister Mr Hamid Nasir Chattha, were sworn in on Sunday along with Mr Balkh Sher Mazari, the interim prime minister.

Other ministers include seven from factions of the Pakistan Muslim League, the main party in Mr Sharif's coalition.

# Hopes recede for early Nigerian debt agreement

By Paul Adams in Lagos and Michael Holman in London

NIGERIA'S prospects for early rescheduling of its $29bn (£19.2bn) external debt have receded after the visit of a joint International Monetary Fund and World Bank mission.

Although the mission backed the military government's latest reform efforts, it is understood to have made clear that a formal IMF agreement would depend on the performance of the civilian administration which is scheduled to taka office in August. An IMF deal is a precondition to rescheduling the debt, of which $16.5bn is owed to the Paris Club of official creditors. Paris Club arrears exceed $3bn.

Nigeria's transitional council, the country's interim administration, is drawing up a shadow IMF programme that would conform to the terms of an extended structural adjustment facility (Esaf).

The new government would be expected to adopt the programme.

The council hopes to present its medium-term economic strategy for 1993-96 to a meeting of the Paris Club co-ordinated by the World Bank. Nigerians have suggested this could take place in July.

But Fund officials are pressing for action on two key issues before such a meeting is convened. They want to see deregulation of the foreign exchange market, and a narrowing of the gap between the official rate of exchange (N21 to the dollar) and the parallel market rate (N37 to the dollar).

They also expect the government to reduce the domestic fuel subsidy. The team from Washington was assured that the recent decision to postpone petrol price increases was necessary to ensure orderly presidential elections on June 12. The government has yet to give a date for the promised action.

There are also continuing concerns about management of state resources. Since taking office at the end of December the council has tried to account for all export earnings, but the exercise is not complete.

World Bank officials in Washington and western government analysts estimate that the proceeds from 200,000 barrels of oil a day are inadequately accounted for. Total production is around 1.8m b/d.

It is thought these receipts go directly into so-called "dedicated accounts" earmarked for specific purposes or projects, but details remain difficult to obtain.

Western government and IMF officials have said that they want to monitor the new government's handling of the economy for at least three months after its installation in August before a formal agreement can be reached.

This timetable makes it unlikely that debt relief could be obtained before the end of this year.

If Nigeria can secure an Esaf agreement with the IMF, it could qualify for debt relief from the Paris Club under the Trinidad terms, involving a write-off of 60 per cent of the loans and longer payment periods for the rest.

# The big guns head off a trade war

By Lionel Barber in Brussels

THERE was relief mixed with enthusiasm in Brussels yesterday as officials digested the last-minute compromise in the EC-US dispute over public purchasing rules.

The partial deal struck between Sir Leon Brittan, EC trade commissioner, and Mr Mickey Kantor, US trade representative, avoids a nasty spat. As late as Tuesday evening, the dispute risked escalating into a tit-for-tat trade war, wrecking hopes of progress in the Gatt Uruguay Round.

More positively, the compromise establishes a key principle: the progressive, reciprocal opening of markets in the government procurement market. The US still intends to proceed witb sanctions because tha deal does not cover telecommunications, but these will be token only.

Like Mr Kantor, Sir Leon is a lawyer. In effect, he agreed this week to a plea-bargain. In return for a light sentence, he has acknowledged that "Buy European" legislation unfairly closes the EC procurement market; but he has persuaded the US to gradually start dropping "Buy American" legislation at federal and state level.

Right up until the finaf transatlantic telephone call on Wednesday eveoing, it was unclear whether the two men could find enough common ground to avoid a trade war.

Sir Leon, perhaps the stannchest free trader inside the 17-strong Enropean Commission, was desperate to prevent the procurement dispute spilling over into the Gatt trade talks. His fear was that tbe Clinton administration's aggressive trade stance could provoke an anti-American backlash in Europe.

Yet Sir Leon also recognised that Mr Kantor needed to show the US Congress and US companies that tough tactics had produced some tangible successes. The hope is that both men have found a deal which will play to their respective domastic constituencies, though one EC official said yesterday there might not be enough blood to assuage EC trade hardliners.

The heart of the dispute lies with Article 29 of the EC utilities directive which entered into force on January 1 1993. The law gives a 3 per cent price preference to EC hidders for any government contract and allows an EC bidder to ignore an offer if the bidder has a European content of less than 50 per cent.

Sir Leon Brittan: desperate to prevent procurement dispute spilling over into the Gatt trade talks

The US can now point to the EC's agreement to waive Article 29 covering beavy electrical equipment such as steam turbines – a market valued at $1bn a year. In return, the EC can point to the removal of all restrictions against EC hids from tbe five publicly-owned federal electrical utilities, plus the Tennessee Valley Authority – a market which is valued potentially at $5bn-$10bn.

EC officials said yesterday these concessions should lead to the eventual elimination of "Buy American" clauses at "sub-federal" or state level – the lucrative market for building bridges, airports, rapid transit, or buying school buses. Tbese are currently effectively closed to EC companies.

According to the deal, the administration will approacb the governors of all 50 states about the withdrawal of this legislation. Some 33 states have expressed general willingness to consider dropping the clauses.

Separately, both sides have agreed to remove all outstanding restrictions on each otber's companies bidding for contracts to supply goods and services to central governments. This is a potentially buge prize, allowing EC and US companies to bid for services ranging from software to supplies to the US Army Corps of Engineers.

The final twist in the deal is a joint study to identify market barriers in government procurement rules and to ensure each sides plays by comparable rules. The study could last a year, but the result would be a yardstick for negotiations on the thornier subject of telecommunications.

Sir Leon's hroader aim appears to be to include telecommunications in a future multilateral deal, as part of a Gatt agreement on market access. For a comprehensive deal on the Uruguay Round is the prize he wants most.

The signs are that he is building a relationship with Mr Kantor; but aides say he has still to master the latter's baseball jokes. With the season just started in the US, Sir Leon has at least shown he can play in the major leagues.

# EC-US move revives world trade hopes

SIGNS that the United States and the European Community aim to contain tbeir dispute over government contracts have raised bopes for a revival of the long-stalled Uruguay Round world trade talks, Renter reports from Geneva.

Both Sir Leon Brittan, EC trade commissioner, and Mr Mickey Kantor, US trade representative, wbo together shaped the partial accord, bave said they are determined to push on to end the round successfully.

The dispute, in which both the US and the EC claimed their companies were often excluded from access to the other's lncrative public contracts, was partly settled on Wednesday. At one stage it had appeared to be a serious threat to wrapping up tbe Uruguay Round, which is widely seen as offering a much-needed boost to the ailing world economy.

One trade envoy in Geneva, where the round is negotiated under the aegis of the General Agreement on Tariffs and Trade, said yesterday he was not unduly concerned that the two sides still retained some mutual sanctions over telecommunications. Even with such measures, "it looks as though they will be trying to quarantine the dispute and get on with the major job – fixing the round," be said.

A senior diplomat from an exporting state said he was heartened by what be saw as an effort by the US and the EC "to maximise accord and minimise tha discord" on tbe procurement issue. "They seem to be concentrating their minds on the bigger prize – the round," he said.

However, some envoys and analysts involved in the round negotiations doubted whether the two key trading powers were ready to make a big effort to advance the cause of international free trade.

One expert expressed the hope that the partial accord would be a "step towards a wider governmeot procurement agreement that could be reached alongside a multilateral accord inside the round". But he thought it would take a lot more than that to convince people they were moving towards negotiating seriously and wrapping up the round.

Other diplomats and officials said tbey were not convinced that tbe administration of President Bill Clinton had yet decided to make the talks, originally due to have been completed in December 1990, a major priority.

The US and the EC have to settle all their own differences before the 100-odd other countries in the round can effectively be brought back into the process.

# Airlines of the world post third yearly loss

THE WORLD'S airlines lost mnney for the third year in succession in 1992, according to the International Civil Aviation Organisation (ICAO), a UN agency, Daniel Green reports.

It said that operating revennes nf scheduled airlines, exclnding flights within tbe Cnmmonwealth nf Independant States, rose to $212hn (£140.3hn) from $203.4hn in 1992. Operating expenses rose to $213bn from $204.4bn.

The 4.2 per cent growth in revenues was in line with an ICAO prediction a year ago.

The ICAO's 1992 figures also indicate tbat pressnre on profit margins increased nn the freight side, with revenues per tonne per kilometre falling from $0.924 to $0.887 between 1991 and 1992.

Costs per tonne per kilometre fell from $0.93 cents to $0.893 cents.

Freight traffic more than halved on the busiest routes soch as the north Atlantic, despite hig efforts to improve efficiency and a deep discounting price war.

# Turkmenistan telecoms deal

SIMKO, the Tnrkish telecommunications company, has signed a $100m (£66.2m) deal to bnild three telephnne exchanges in Turkmenistan, Interfax news agency said, Reuter reports from Moscow.

The central Asian republic, the world's third largest gas prodncer, with ontpnt totalling 84bn cnhic metres a year, will fund the deal with natural gas exports.

Several Turkisb companies have signed deals for telecom systems in former Soviet repnblics.

Officials from Turkey's state-run post and telecommnnications company PTT, which donated a 2,500-line telephone switchboard to Turkmenistan last year, say only 6 per cent of the republic's 3.6m people own telephones.

# Japan to hear familiar litany of complaints

By Michiyo Nakamoto in Tokyo

THE arrival in Tokyo yesterday of Mr Ron Brown, US commerce secretary, is likely to be accompanied hy familiar strong words from the US on Japan's trade surplus and closed markets, followed hy polite rebuffs from Japan of US solutions for the problems.

Mr Brown is in Tokyo to take part in a ministerial conference on assistance to Russia. But his arrival two days before the conference opens will give him time to remind the Japanese that the US is serious about rectifying the countries' trade imbalance.

Japan needs little reminding so soon after the bilateral meeting in Washington last week, wbich left no doubt where the priorities of the US under President Bill Clintoo lie. Even Japanese trade officials who have beeo through the same show often in the last 10 years fear tbis time tbey may be in for a tougher confrontation.

Both the structural and sectoral issues which the curreot US trade team says it wants to address have heen discussed in the past. But this time the US administration's emphasis is on economic issues as a strategic priority and on achieving quantifiable results, says an official from Japan's Ministry of International Trade and Industry.

At the same time the Clinton team is not as ideologically committed to free trade as previous Republican administrations.

Mr Brown is likely to reiterate Washington's unhappiness with Japan's $46bn (£30.4bn) trade surplus and the need to ohtain concrete results in tackling the issue.

The new framework for bilateral consultations on trade agreed last week betweeo Mr Mr Clinton and Prime Minister Kiichi Miyazawa is expected to take firm shape in the months ahead.

In addition to its currency stance, which has allowed the yen to rise sharply against the dollar, the new bilateral trade framework will form a key pillar of Washington's strategy on correcting the trade imbalance.

The US also appears reluctant to abandon the idea of using temporary quantitative indicators to measure improvements in access to Japaoese markets, despite numerous protests from Japan.

For its part, Tokyo is adamant it will not give in to US calls for such quantitative measures, which it has repeatedly said leads to maoaged trade.

The Japanese offer is for more long-term steps to deal with tbe trade imbalance, sucb as industry co-operation and husiness initiatives.

# Cuba barters its sugar

ITALGRANI, the Italian cereals and foods group based in Naples, has signed a L100bn (£42m) agreement with Cuba to supply semi-finished food products in return for sugar, writes Haig Simonian in Milan.

The deal is a further sign of the current revival in countertrade for countries with problems obtaining hard currencies or in economic difficulties.

The Cuban economy has faced a growing crisis following the gradual withdrawal of aid and supplies from the former Soviet Union. It has also suffered from the fall in price of some raw-material exports, notably sugar.

Italgrani will supply cereals, vegetable oils and pasta products, worth about L100bn, in return for Cuban sugar of a similar value.

Italgrani's deal, double the size of a similar one between July and November last year, will take effect to tbe second half of this year.

# Strikes by state workers may be outlawed

By John Authers and Ralph Atkins

A RADICAL plan to severely limit strike action by British state sector workers is being considered by the government as an option for thwarting a threatened boycott of school tests by protesting teachers.

Mrs Glllian Sbepbard, employment secretary, is backing a proposal that would end immunity from court action for strikes aimed principally at preventing employees performing statutory duties.

An amendment could be made to the Trade Union Reform and Employment Rights Bill which reaches its final stages on Monday in the House of Lords, Britain's upper chamber.

A government decision on wbetber to legislate will depend on today's ruling by tbe Appeal Court on a case brought against one of tbe main teacbing unions by Wandsworth Borough Council in south London. The union, the National Association of Scboolmasters/Union of Women Teachers, is boycotting preparation for the tests.

Mrs Sbepbard's proposals would mark a further substantial tightening by the government of Britain's trade union laws and set the government on a fresh confrontation with the trade union movement.

Details of the plan were disclosed in a letter dated February 26 from Mrs Shephard to Mr John Patten, education secretary, and leaked to tbe National Union of Teachsrs. The tone of the letter suggests tbe government bas devoted considerable effort to drawing up tough options for heading off the teachers – and perhaps strikes by railwsy workers.

Mr Patten has announced a review of the National Curriculum and associated tests bnt has refused to offer further concessions to the teachers.

Last night, however, it was unclear the extent to whicb Mrs Sbepbard had backing from Cabinet colleagues – or whether her proposals could be introduced in time to allow this summer's tests to proceed.

Mr Norman Willis, general secretary of the Trades Union Congress – the umbrella body for most large unions – said the move would be "offensive" and "heavy-handed".

Mrs Sbepbard's letter says disputes could be outlawed, "where the principal or sole demand is that workers should not be required to do work which is necessary in order to carry ont a specific statutory duty on the employer".

It also says a more radical plan to remove immunity from any industrial action that interfered with tbe performance of statutory duties, "would be highly controversial and would be attacked by our opponents ss tantamount to the removal of tbe 'right to strike' from public sector employees." She adds: "I do not think we sbould contemplate going that far."

Legal experts suggested Mrs Shephard's proposals could be difficult to enforce, and lead to a mass of litigation. Employers' statutory duties have multiplied in recent years, partly thanks the growth in health and safety legislation.

# London exchange considers buying Nasdaq system

By Peter Martin, Financial Editor

THE London Stock Exchange has decided to consider a computer system from Nasdaq, the US exchange, as a replacement for its Seaq trading system.

Parts of the Nasdaq system will be considered as an alternative to the exchange's own proposed new system, which is being developed by Andersen Consulting.

The decision to consider both systems was made by the Stock Exchange board yesterday. The board also agreed to concentrate on "core functions", and to transfer the exchange's Topic electronic information system to two outside vendors, Telekurs of Switzerland and ICV of Woking.

The Nasdaq decision is a victory for five big City securities houses. They commissioned a study from Booz Allen, the management consultants, which concluded that it would be better to buy a system from another stock exchange. Some houses lack confidence in the exchange's ability to develop systems, after the failure last month of its planned Taurus automated settlement system.

"The board is clear that it will invest in supporting a market system and we are looking anxiously at making a final decision on that in the near future," said Sir Andrew Hugh Smith, stock exchange chairman. The two systems will be compared over the next month and the decision will be taken at the board's next meeting, in late May. There will be an independent assessment, which is likely to mean the appointment of a third set of consultants.

Sir Andrew stressed the choice would be between the exchange's own proposed new system, on which work started a year ago, and parts of the next-generation Nasdaq system. Mr James Spellman, of Nasdaq in Washington, said that the first elements of the new Nasdaq system would be distributed to customers this autumn, but that the whole project would take between five and seven years to complete.

The exchange has considered buying a system from Nasdaq twice in the last five years, most recently two years ago. But each time the decision has gone against it.

The exchange board said itscore functions were: organising and regulating the UK central market in securities, running the Seaq International market in international securities, and acting as the legally-designated "UK competent authority" for listing securities.

# Irish premier sees need for conciliation

By Tim Coone, in Dublin

MR ALBERT Reynolds, the Irish prime minister, last night reiterated his wish to see a united Ireland but conceded that a more conciliatory approach was needed towards the Unionist community in Ulster.

In a keynote speech on policy towards Northern Ireland he also firmly ruled out any concessions on the Republic of Ireland's constitution as a precondition for renewed all-party talks.

Speaking at a fund-raising dinner in New York for his party, he said: "The Fianna Fail party is committed as one of its principal aims to the eventual establishment of a united Ireland, but recognises that realistically it can only come about through agreement and consent."

Mr Reynolds' statements are his strongest yet and appear to have been made in response to backbench criticism that his government's policy on the Ulster is being dictated by tha Labour party, Fianna Fail's coalition partners.

Responding to Unionist leaders' insistence that the Republic must first drop its territorial claim to the province before any further progress in round-table talks can be made, Mr Reynolds said "While we do not accept preconditions, we are not averse to the issues being raised".

On guard: an officer checks a troop of honour in London yesterday for Crown Prince Abdnllah bin Abdul Aziz, deputy head of the Sandi national guard – a potential customer for British tanks

# Rail union to ballot on BR peace plan

By Robert Taylor, Labour Correspondent

THE EXECUTIVE of RMT, the main rail union, is to ballot its 60,000 members employed by British Rail, the state-run railway, on a BR proposal to end the current dispute. No further action will be taken before the result is announced on May 14.

The union executive is recommending members reject BR's final proposals, which were presented to the union earlier this week. These provide written assurances on jobs and the extension of contract work.

The union has been seeking a guarantee of no compulsory redundancies and a moratorium on the extension of contract work. The dispute has involved two one day strikes whicb have cost BR at least £20m gross in lost revenue.

The RMT ballot followed its embarrassing deadlock on Wednesday nigbt after nine hours of argument caused by the intricacies of the union's 80-year-old constitution.

A majority of the executive rejected BR's final offer but the requisite two thirds majority was not prepared to back a proposal to call a further one day strike for next Friday.

## Britain in brief

### Drug industry attacks state health policy

Government policy towards the drugs industry bas been strongly attacked by the Association of the British Pharmaceuticals Industry.

In a forceful speecb, Mr Stewart Slddall, association president, said the extension of tbe list of prodncts for which the state health service would not pay had come as a "real bombshell". The proposals, whicb had come without warning, could affect abont £400m in annual sales.

The UK industry generated exports of £3m last year, a figure four times larger than Japan's. Yet spending on medicines per head in the UK was half tha level in Germany, France and Italy.

### Amerada Hess awards contract

The US oil company Amerada Hess, which has bitterly complained about tbe budget changes to petroleum revenue tax, has awarded a £20m contract to develop its latest North Sea oilfield.

The contract for 54 kilometres of undersea pipelines for the Hudson Oilfield, off Sbetland, bas gone to Aberdeen-based Stena Offshore. The pipelines will link six sub-sea wells to Shell/Esso's Tern platform, 11km to the east of Hudson, whicb bas estimated recoverable reserves of over 80m barrels of oil.

### French group in cable deal

The UK cable television industry has announced the second big deal in consecutive days when Générale des Eaux, the Frencb water and energy gronp said it was increasing its British cable interests.

General Cable, a subsidiary of the French group, has purchased or agreed to buy, cable television franchises in northern England. Mr Marc Noblet, managing director of General Cable said the project would iovolve investment of more than £500m over 10 years.

### Marine traffic plan defended

The Department of Transport yesterday defended its plan for a traffic separation scheme off the southern tip of Shetland.

Lord Donaldson, chairing the inquiry into the Braer disaster, accused the department of designing the marine equivalent of a "two lane highway" when an ordinary road would have been sufficient. The department said a simple sea-lane or a recommended route, as suggested by Lord Donaldson, would run the risk of causing tanker collisions.

The inquiry resumes next Tuesday.

### Rifle design off target

Thirty-two modifications have been required on the army's standard rifle, the SA80, since it went into service seven years ago.

The Commons defence committee has been told that the army was now "entirely satisfied" with the weapon. Problems inclnded faulty triggers, firing pins that broke, magazines that fell off and bayonets which became detached. Modifications, carried out on 60 per cent of the 307,000 rifles delivered, would add about 9 per cent to costs.

### Expense ruling for ministers

Controversy over government help towards the private legal expenses of Mr Norman Lamont, chancellor, bas led to revised rules on the use of public money for matters related to ministers' personal affairs.

The guidelines say "great care" must be exercised when public funds are offered towards personal costs. The public accounts committee expressed regret that tbe Treasury had not highlighted in its accounts the decision to pay £4,700 towards the cost of evicting an unwanted tenant from Mr Lamont's private bome.

■ Major welcomes surprise jobless fall ■ Chambers of Commerce report rising confidence ■ House sales stabilise

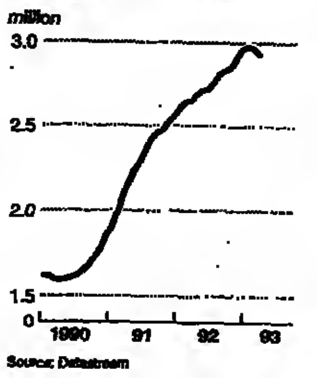
# Unemployment falls for second month running

By Peter Norman and Emma Tucker

BRITISH unemployment fell for the second month running in March, confounding expectations of a rise in the City and at Westminster and boosting hopes that the recession is over.

The surprise 26,000 decline in the seasonally adjusted jobless total to 2.94m last month combined with other upbeat news on the economy and yesterday's Bundesbank interest rate cuts to give a strong upwards push to the pound.

**UK unemployment**




Source: Datastream

Tha latest signs that the economy was strengthening were welcomed by Mr John Major, prime minister, who said the fall in unemployment was "very good news". But the Treasury and Mrs Gillian Shephard, employment secretary, were careful not to sound euphoric about the figures.

The Treasury, which is waiting for next Monday's data on first quarter national output before deciding whether it can announce the end of the recession, said it was still too early to say whether unemployment has peaked.

But other news yesterday suggested that economic recovery might be sustained. Official figures showed car production in March rose a seasonally adjusted 13 per cent compared with February.

UK car output rose by 7.7 per cent last month its highest March level for 19 years, boosted by the build-up of production by the Japanese carmakers Nissan, Honda and Toyota.

The March drop in the seasonally adjusted total of people out of work and claiming benefit followed a 25,500 drop in February – revised from a provisional 22,000 fall – and compared with City expectations of a 30,000 increase last month.

The UK unemployment figures and the Bundesbank pushed sterling to DM2.4875 against the D-Mark in London, some 2¼ pfennigs up on the day. The pound also gained 1.15 cents against the dollar to close at $1.5480 and rose 0.8 percentage points on its exchange rate index to 80.7 after the Treasury made clear that it did not intend to cut UK interest rates.

Perhaps for this reason, the equity market appeared less enthusiastic about yesterday's news although it was also digesting gains earlier this week. While there was strong retail demand for shares, the FT-SE 100 index closed at 2,881.1, up just 11.5 points.

Some economists believe companies shed too many people at the end of last year following a sharp decline in confidence as a result of sterling's departure from the European exchange rate mechanism. "With firms having laid off more people than was necessary then, fewer jobs are being lost now," said Mr Michael Saunders, an economist at Salomon Brothers.

Yesterday's employment data included positive news on inflation. Average earnings grew by 4.5 per cent in the year to February, the lowest annual increase for 25 years.

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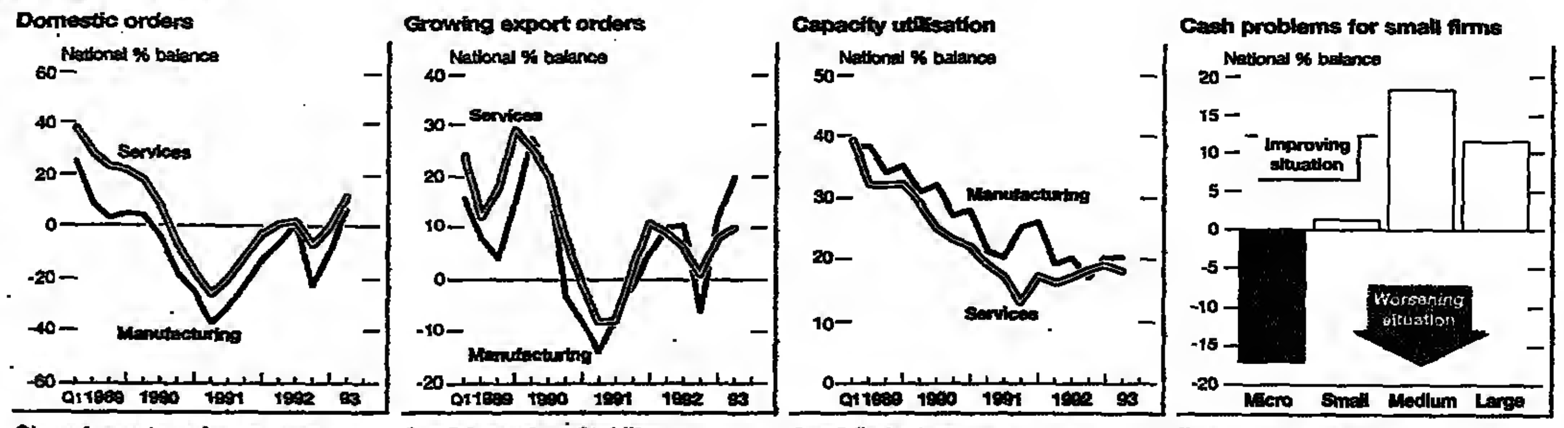
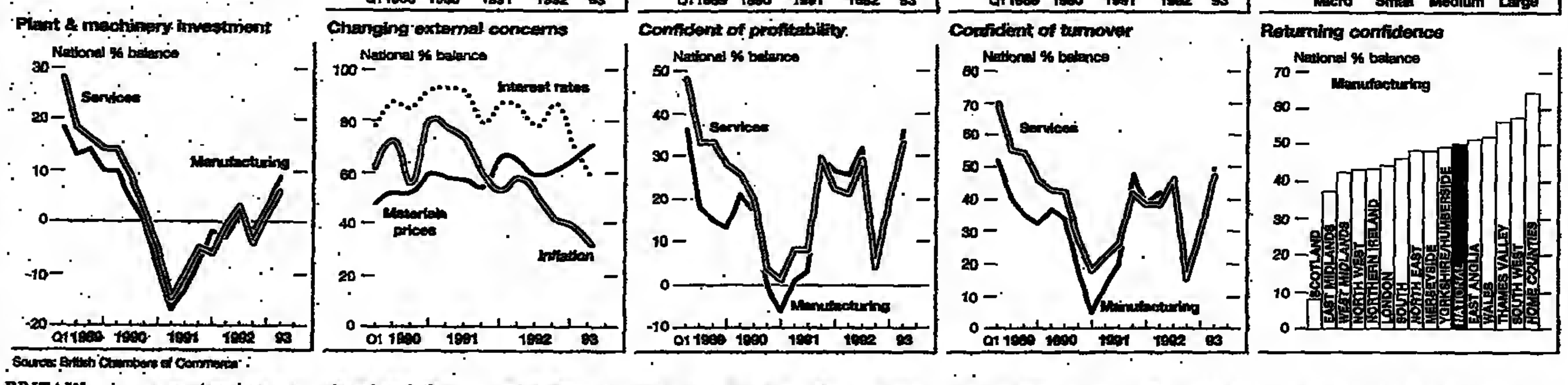
## CHAMBERS OF COMMERCE SURVEY

Domestic orders improved for the second consecutive quarter while manufacturing export orders grew at the fastest rate for three years. The survey said companies were beginning to revise investment plans upwards, but overall levels remain extremely low. There was a small improvement in the cashflow position of companies. The level of interest rates remains the number one external factor affecting business in the service sector and the second most important factor for manufacturing. Confidence about profitability and turnover has risen and is highest in the home counties.




Source: British Chambers of Commerce

BRITAIN is experiencing a broadly-based recovery led by exports hnt weaknesses remain that could hinder growth in the future according to British Chambers of Commerce.

The group said its latest quarterly survey of 8,820 manufacturing and service companies showed orders were growing both at home and abroad and that a growing share of companies expect turnover and profits to improve in the next 12 months.

But although business confidence has returned to pre-recession levels, the chambers warned that only one in five companies is opersting at full capacity. One in three companies still has difficulty recruiting suitable personnel. Investment intentions remain weak and oo balance all except small companies plan to shed labour in the next three months. Small companies with less than 20 workers reported both the strongest improvement in orders and worsening cashflow problems in the survey, which was carried out between March 5 and 26.

The survey found the portion of manufacturing companies reporting an increase of UK orders over the previous three months exceeded those reporting a decrease by 7 percentage points. This positive balance contrasted with a negative balance of minus 10 percentage points in the previous quarterly survey when falling orders exceeded rising orders.

The service sector also reported a recovery in home orders in the latest survey with a positive balance of 12 points compared with zero points three months before.

But Mr Christopher Stewart-Smith, the chambers' president, said the survey was the "most encouraging for some time". He said the marked improvement in business confidence reflected more than expectations of higher sales and profits.

# City reacts cautiously to jobless fall

By Lisa Wood, Emma Tucker and Andrew Taylor

NOT a fluke – but nothing to get too excited about. That was the guarded response yesterday of City economists and government officials to the second consecutive monthly fall in unemployment.

Mrs Gillian Shephard, employment secretary, set the tone. For whila she warmly welcomed the March figures, she said not too much should be read into a single month's figures.

But, she said fewer people were now joining the unemployment count, every region saw falls in the johless figures and vacancies were the highest for two years.

A number of reasons were pul forward hy her officials, the Confederation of British Industry and economists:

● A more flexible labour market: A number of economists said reforms in the 1980s – in particular trade union laws and stricter rules for claiming benefits – had made the market more flexible.

● Over-sacking: Economists said that a number of companies had been caught out hy the strength of demand, particularly domestic demand, and had shed too much labour at the end of last year.

● Big redundancy programmes are ending: The construction industry has forecast that the sector is likely to lose a further 50,000 jobs this year. But, the rate at which jobs are heing shed is expected to decline during the year, according to the Building Employers Confederation, the industry's largest trade association.

● Government programmes: There has been a steady increase in the number of jobless people going on to government training and work experience programmes. This takes them off the claimant count.

● Demographic factors: government officials said these could affect the rate at which unemployment drops as the economy recovers. At the beginning of the last decade the number of people entering the labour market was much higher than now, a factor which contributed towards the rise in unemployment after the recession was over.

# Thaw in housing market continues as sales grow

By Andrew Taylor, Construction Correspondent

THE THAW in the UK housing market seen since the beginning of this year is continuing, according to a survey of more than 100 agents in real estate, conducted last month.

It provides further evidence of a revival in house sales and mortgage demand reported by house builders and lenders.

The Royal Institution of Chartered Surveyors, which conducted the survey in England and Wales, said: "Although recovery is slow, estate agents from nearly all areas reported increases in activity and sales."

Prices also appeared to be stabilising, although experiences varied in different towns. More than 80 per cent of agents asked whether prices had moved in the previous three months, said tbey had remained stable.

Only 13 per cent reported prices falls. Three per cent of agents said that prices had risen by more than 2 per cent over the period.

## Companies and staff have much to gain and little to lose from tying pay to profits, writes Lucy Kellaway

# Nice little earner

Nine hundred and ninety five accountants cannot be wrong when it comes to spotting a good financial deal. When Stoy Hayward asked its 1,000 employees whether they would like to receive up to one fifth of their salary in profit-related pay, only five were doubtful.

Accountants are not best known for risk taking, and at Stoy Hayward they have signed up to a scheme that appears to have little downside. If the company hits its profits target, employees will be better off by £1,600 a year. If the company exceeds its target, employees get their share of the extra. If it does worse, the scheme can protect employees so that in net pay terms they are probably no worse off than before.

Stoy Hayward is just one of 4,000 UK companies that have introduced profit-related pay since it became available in 1987. This week the UK government announced that more than 1m people are receiving PRP, and the publicity generated has caused the telephones at the Inland Revenue to ring incessantly. More and more companies want to know how they take advantage of a scheme.

The original idea was that by linking pay to profits, companies could make their wage costs variable. Employees would be given an incentive to work harder, and in good times would reap the rewards, while in bad times would share the pain.

Roger Young, head of the Institute of Management, purrs over the latest figures. "It is very encouraging to see how profit-related pay is taking off. We need to keep our cost base as flexible as possible."

It is not clear, though, whether the scheme, which allows companies *to pay employees up to £4,000* tax free, is working entirely as the government intended. In August the Inland Revenue closed a loophole which made it easy for companies to pay out PRP almost irrespective of their performance. But even with this route closed, the wizards at the accountancy firms appear able to come up with schemes to do more or less what companies want.

"If you design the scheme carefully you can safeguard employees when profits fall," says Sue Bartlett from consultants R Watson & Sons. Most companies re-submit a new plan every year; those that can predict their profits will be able almost to choose how much they pay out. Companies with more erratic profits can limit the effect that these fluctuations have on pay, and they can also put a cap on profits above which no further bonus need be paid out.

The promise of a big saving on the payroll – which might typically be around 6 per cent – is particularly attractive during the recession. "Companies are using these schemes instead of a pay rise," says Bartlett.

This can be done in two ways, either by introducing PRP as a bonus paid in addition to existing salary, or by getting employees to swap part of their salary for a PRP.

A company that has taken the latter route is Asda Property, which is not paying out any more money this year but has introduced a salary sacrifice scheme instead. There are no fixed rules on how the tax savings are shared between companies and employees, but Asda has passed on the full benefit to give employees a 4-5 per cent net pay rise.

The scheme works so that each month the company pays the same net pay to its employees as before, distributing the extra at the end of the financial year when the final profit figure is known. If the company badly misses its target, and has therefore paid out too much over the year, the Inland Revenue recoups the money from the employer, not the employee.

"You won't get employees involved if there is too much to lose," says Paul Huberman, finance director. "They won't agree to anything that would mean their monthly pay would fall, as they've got commitments to meet. After all, I can't blame my secretary if our profits go down."

However, because employees stand to gain if the profits go up, he says the scheme has focused their attention on the company's performance. The scheme has also proved popular because it gives the same benefit to all employees.

Most of the big companies with PRP have used it as a more tax-efficient vehicle for paying bonuses than *existing schemes in which a* profit-related lump is paid out at the end of the year. The largest company to do so is Boots, whose scheme covers 56,000 employees. The tax break has given a boost to the old arrangement – a bonus that previously would have been worth 6 per cent is now worth closer to 10 per cent. "The scheme gives our workforce a greater stake in the business. It means they switch the lights off at night and don't keep the machinery running," says Alan Hainsworth, renumeration manager. It also may have lessened pay claims, he argues.

The Halifax Building Society operates a similar scheme, which has paid out an annual bonus of between 2 and 10 per cent of employees' salaries over the last five years. According to David Thornborow, an assistant general manager, "staff see that it is not a static give-away every year".

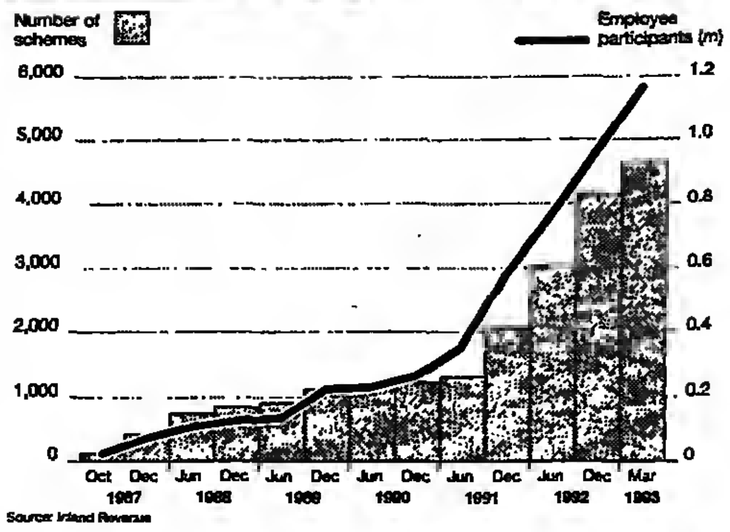
Some companies have shunned PRP because they prefer incentive schemes based on individual rather than group performance. But at both Boots and Halifax the scheme is seen as an addition rather than an alternative to individual incentives.

The flexibility of PRP means that a suitable plan can be designed for most companies – at least for those that are making profits. Those that have little to gain from them are *those with* very *low-paid workers* – who pay little tax anyway – or with profits so volatile that they are impossible to predict. Companies may need to adjust pension funds to include expected PRP as part of final salary.

So far, very large companies have held back from salary sacrifice schemes. The main problem, according to Brian Friedman of Stoy Hayward, is one of communication. "We wrote to everyone setting out the terms. We then published a booklet about it. We invited staff to briefings, and we ran a help line to deal with individual inquiries."

The accountants themselves were convinced. They are now setting out to convince their clients.

**How PRP has taken off**


Source: Inland Revenue

## CHRISTOPHER LORENZ

# Learning to live with a cultural mix

DO YOU work for an American multinational which is havlng tronhle introducing a performance-related pay scheme in its French, German and Asian subsidiaries, even though it has worked well in Britain, Sweden and the Netherlands? Is your employer a German company which is struggling to apply *Anglo-Saxon methods of* "change management"? Or do ynn work for an Italian or Spanish enterprise which is experiencing schiznphrenia over the new "matrix management" structure being imposed hy its US or British parent?

If so, you're suffering from one of the most underrated aspects of management: culture clash.

If you tend to read only the best-selling husiness books, or listen just to the world's top management gurus, yon will either be surprised hy these problems or fail to appreciate their disruptive potential. For your management ideas will have heeo formed hy a mixture of your own cultural experience and the dominant American view that there is "one best way" of resolving any issue – so that a company with a strong corporate culture will be able to bridge any natlonal differences amnng its employees aronnd the world.

Yet consider the evidence presented in a new book* hy Frans Trompenaars, a Franco-Dntchman who worked in nine countries for Shell before becoming a consul*tant to the* oll *group* and several nther sophisticated cross-cultural multinationals, as well as "learners" such as Mars, Kodak, Heineken, Philips, ICI and Apple. He has also compiled a database of the cultural characteristics nf 15,000 managers and staff from 30 companies in 50 countries.

His conclusions contrast starkly with the notion that the world is becoming a "glohal village", in which a new geoeration of internatiooal managers will operate easily across borders. Instead, he argues that what works in one culture will seldom do so in another.

Oo performance pay, fnr instance, Trompenaars finds that people in France, Germany, Italy and large parts of Asia tend not to accept "that individual members of the group should excel in a way that reveals the shortcomings nf other members". On two-way communicatioo, Americans may be motivated hy feedback sesslous, whlle Germans flnd them "enforced admissions of failure". On more structural issues such as decentrallsation and delegatinn, approaches that work well in Anglo-Saxon cultures, plus Scandinavia, the Netherlands and Germany, may prove dlsastrnus in Belgium, France and Spain.

Some of these differences are pretty ohvious, and skilful companies have learned how to accommodate them. But in many cases, especially where the local culture *bottles up problems* hy discouraging open criticism, the gung-hn "universalist" manager will not even perceive them. All he nr she will notice is general dissatisfactinn nr poor performance.

**No organisation consists of just one cultural type, but the mix between them varies considerably**

Trompenaars disttnguishes seven basic, but finely nuanced, dimensions of culture. Five concern the way people deal with each other. They include: "universalism versus particnlarism" (behaviour based nn general versus *specific relationships*); the slightly different "collectivism versus individualism" (group-based versus Individual behaviour); a "neutral" versus expressive attitude to emotions; and the creation nf status through achievement, versus what Trompenaars calls "affillation"; this is similar to the nsual juxtaposition of "personal" and "positional" power.

A sixth dimension concerns people's attitude to time, especially the future. The flual one is whether, like most Americans and nnrth Europeans, they strive to mould their euvironment, or whether they tend to go along with it more, like most Europeans and *some* Asians. Contrary to American dogma, Trompenaars argues that the second group is better at dealing with change.

These dimensinns have comhined In various ways to create several types of corporate culture, *Trompenaars* concludes, with the home cnlture dnminating in most multinationals. No organisation consists nf just one cultural type, hut the mix between them varies considerahly. They inclnde:

- Famlly. Typical of Japan, Iudia, Belgium, Italy, Spain and smaller French companies. Very hierarchical, and more intuitive than rational. Delegation is difficult because the leader Is a father figure who is seen as knowing better than his subordinates. Matrix and project structures create problems, since they divide antherity and Inyalty. Praise is a better motivator than money.
- Elffel Tower. Typical of large French companies, plns German and Dutch nnes. Also hierarchical, hut mnch more Impersonal and rule-driven. Adapts very slowly to *changing environments.*
- Guided missile. Typical of the US and, to a lesser extent, the UK. This is mnch more egalitarian and indivldnaltstic, hnt also impersonal. It can adjust course rapidly, hnt not change it completely.

Where does all this leave the struggling multinational and its "global managers"? Above all, Trompenaars ndvises companies to avoid their usual hlanket application of standard, head office-generated American and north European ways of managing.

Instead he advocates a "transnational" approach: a hlend of the best from several cultures which should be appiled differently in each country. Managers must also be trained in cross-cultural awareness and respect, he says. They must stop seeing cultural problems as other people's stuhbornness.

Trompenaars underplays the gradual narrowing of cultural differences amnng some yonnger globetrotters. But his prescription is a welcome antidote to hlinkered nniversalism.

**Riding the Waves of Culture. Economist Books. £20.*



## LEGAL NOTICES

No. 003221 of 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF BONAR CEREAL PRODUCTS LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

*NOTICE IS HEREBY GIVEN* that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 6th April 1993 for the confirmation of the reduction of the Share Premium Account of the Company by £25,484,998

ANO NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 5th day of May 1993

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of the hearing in person or by Counsel for that purpose

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 23rd day of April 1993
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref. RWC
Solicitors to the Company

THE INSOLVENCY ACT 1986
MARLINGHAM FINANCIAL SERVICES LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of the Insolvency Act, 1986 that a Meeting of Creditors of the above named Company will be held at The Hotel Russell, Russell Square, London WC1B 5BE on 30 April 1993 at 12.00pm for the purposes mentioned in Sections 99, 100, and 101 of the said Act.

O J Taylor MIPA, a Licensed Insolvency Practitioner of Messrs David Taylor, 11 Tavistock Place, London WC1 will free of charge, supply Creditors with such information concerning the company's affairs as they may reasonably require.

DATED 16 April 1993
D. Heath
Director

**MULHEAD LIMITED**

**Registered number: 2592202. Trading name: Raycam. Trade classification: 3320. Names and addresses of Joint Administrative Receivers: Neil Hunter Cooper, Robson Rhodes, 186 City Road, London EC1V 2NU and Nigel Ruddock, Robson Rhodes, 186 City Road, London EC1V 2NU. Office Holder No's: 5399 and 6877. Date of appointment of Administrative Receivers: 26th January 1993. By whom Appointed: Barclays Bank PLC. Date of Charge: 21st August 1991. Nature of Charge: Fixed and Floating. N. H. COOPER and N. RUDDOCK, Joint Administrative Receivers. This is a backdated advertisement and the appointment of Joint Administrative Receivers took place on 26th January 1993.**

Notice of Appointment of Joint Administrative Receiver
ROMNEY MARSH GROWERS (WHOLESALE) LIMITED

Registered number: 1066106. Nature of business: Agricultural wholesale distribution. Trade classification: 12. Date of appointment of Administrative Receivers: 13 April 1993. Name of person appointing the Administrative Receivers: National Westminster Bank PLC. Joint Administrative Receivers: N I Vooght and C J Hughes. Office holder numbers 6339 2041. Coopers & Lybrand, PO Box 202, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ.

No. 002992 of 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF UBAF BANK LIMITED
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 30th March 1993 for the confirmation of the reduction of share capital of the Company by £46,000,000 and US $173,949,999.90 with a view to writing off against the credit arising the losses of £9,027,000 and US$95,000,000 and applying the balance in paying up new share capital

AND NOTICE is further given that the said Petition is directed to be heard before Mr Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on Wednesday the 5th day of May 1993

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose

*A copy of the said Petition will be furnished to* any person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

Dated the 23rd day of April 1993
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: RWC
Solicitors to the Company

No. 002321 of 1993
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF ANGLO UNITED PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that an Order of the High Court of Justice, Chancery Division, dated the 7th day of April 1993 confirming the reduction of the capital from £108,950,000 to £50,948,093.80 and the cancellation of the Share Premium Account of the above named Company and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above mentioned Act were registered by the Registrar of Companies on the 8th day of April 1993.

Dated this 23rd day of April 1993
CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ
Ref: KO
Solicitors for the above named Company

NOTICE OF APPOINTMENT OF ADMINISTRATIVE RECEIVERS

Name of Company: C H Gillam & Sons Limited. Registered No: 2327638. Trade classification: 23. Name od addressas of joint administrative receivers: David John Stokes and David James Waterhouse, Coopers & Lybrand, 1 East Parade, Sheffield, S1 2ET. Office holder numbers 2682 and 5732. Date of appointment: 14 April 1993. Name of appointer: National Westminster Bank PLC.

## COMPANY NOTICES

**LEUMI INTERNATIONAL INVESTMENTS N.V.**

US $100 000 000 GUARANTEED FLOATING RATE NOTES 1998 (EXTENDIBLE AT THE HOLDERS OPTION TO 2008)

The interest rate applicable to the above Notes in respect of the interest period commencing 23rd April 1993 has been fixed at 3⅝% per annum. The interest amounting to US $91.54 per US $5,000 principal amount and to US $183.07 per US $10,000 principal amount and to US $1830.73 per *US $100 000 principal amount of the Notes* will be paid on 25th October 1993 against presentation of Coupon No 4

BANK LEUMI (UK) Plc
Principal Paying Agent

bank leumi בנק לאומי

## ART GALLERIES

MARLBOROUGH FINE ART LTD 5 Albemarle Street, London W1 John Davies New Sculpture Until 30 April 1993. Mon-Fri 10am-5pm, Sat 10am-12.30pm, closed 9-12 April 1993 Tel. 071-629 5161

## CONTRACTS & TENDERS

**E.C.I.O.**
**EXPORT CREDIT INSURANCE ORGANIZATION**

*INVITATION FOR PREQUALIFICATION*

The Council of E.C.I.O., a puhlic insurance entity in Greece, haviog the inteution, in accordance with European Community Rules, to accomplish the privatization of the branch of commercial risk export credit insurance, wishes to invite specialised consultants on export credit insurance matters for undertaking the feasibility study of this procedure.

Both the Consultant Entity and the persons involved must have adequate credentials, qualifications and experience in the matter and must have undertaken similar studies and investigations in the recent past.

The intention of interest, with the relevant qualifications, must be received hy May 15, 1993 and the letter addressed to

**Export Credit Insurance Organization,**
**57 Panepistimiou Street,**
**105 64 Athens, Greece**

## COMPANY NOTICES

**GENERAL MOTORS CORPORATION**

Further to the DIVIDEND DECLARATION of 26th February 1993 NOTICE is now given that the following distribution will become payable on or after 19th April 1993 against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

| | |
|---|---|
| GROSS DISTRIBUTION PER UNIT | 1.00 CENTS |
| LESS 15% US WITHHOLDING TAX | 0.1500 CENTS |
| | 0.8500 CENTS PER UNIT |
| CONVERTED AT 1.5560 | 0.5463 PENCE PER UNIT |

Barclays Bank PLC
Stock Exchange Services Department
168 Fenchurch Street, London EC3P 3HP

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Tricia Strong on 071-873 3199
Andrew Skarzynski on 071-873 3607
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## TECHNOLOGY

Audi and Alcoa are preparing to launch a tough but lightweight luxury car, writes **Kenneth Gooding**

# Vorsprung durch aluminium

When Audi launches its latest top-of-the-range luxury car next spring it will be the culmination of one of the few joint venture projects between a European and a US company to have reached a successful outcome. For the car will be built mainly of aluminium, using technology jointly developed by Audi, the up-market subsidiary of Germany's Volkswagen group, and the Aluminium Company of America, the western world's biggest aluminium group.

How was it possible for companies with such different cultures to stay the course during the 11 years the project – called the aluminium intensive vehicle project – needed to come to fruition?

The answer, it seems, is that the bosses at both companies were personally involved at the start, were dedicated to the project, and never gave up pushing for its ultimate success.

Audi and Alcoa set themselves some daunting objectives and it was not clear until well into the project that these could be achieved. As Heinrich Timm, manager of the Audi team involved in the project and an engineer who has been with it since the start, says: "At tha begining nobody could guarantee that the concept would work."

The companies set out to design and build an all-aluminium car. But aluminium is much more expensive than steel, the traditional material used for car construction, so it was not going to be viable simply to snbstitute aluminium for other materials in most of the components.

Instead, the partners set out to design a car that had many fewer individual components and atructures than were used in steel vehicles. This involved developing new aluminium alloys which would be safer than steel – which would crumple in a controlled way, for example, if a vehicle was in a crash.

At the same time, it was recognised that constructing an aluminium car would require a very different approach from the conventional car assembly line. New production processes had to be developed too.

Consequently, there were many times when the dedication of the men at the top was tested. There were times when engineers began to believe some of the objectives simply could not be reached; times when accountants asked searching questions about the budgets.

But the bosses would not accept defeat. At Audi there was Ferdinand Piëch, the "father" of the project and Audi's chairman, until he was promoted recently to become chairman of the Volkswagen group. He believed Audi was underrated in the car market and deserved a "place at the top table" with German rivals BMW and Mercedes, and Jaguar of the UK.

He also believed that Audi would not gain this recognition by producing "me-too" cars which simply copied the virtues of those made by the competition. Audi needed to set itself apart by taking a technological lead over its rivals. With this objective in mind, 11 years ago Audi launched the world's first four-wheel-drive saloon car, the Quattro. Audi also started to use galvanised steel to make its cars more rust-resistant.

Piëch was already thinking about the next generation of Audi cars when he put his proposition to Alcoa. There it was seized on with enthusiasm by Fred Fetterolf, Alcoa's president until he retired two years ago, who could see it might well provide an important new market for aluminium. The joint venture was up and running in 1982.

Although many objectives were set, there were no deadlines. This removed a great deal of pressure from the Audi and Alcoa engineering teams but it also increased the chances that one or both of the bosses would run out of enthusiasm or patience. In the event, it was the engineers who sometimes temporarily ran out of of steam. "But whenever we suggested we should stop the project because we did not think we could find solutions, they said we must carry on," Timm recalls.

**'We have changed the rule that says the bigger and better the car, the heavier it must be'**

This backing, needed sevaral times during the past 11 years, was unstintingly given even when Audi and Alcoa ran into troubled times. For example, Audi lost ground in its most-important export market, the highly-competitive US luxury car market, because of the bad publicity that arose when some customers experienced unexpected acceleration problems.

As for Alcoa, there were even some years, in the wake of the oil supply crises in the 1970s, when some of US group's senior managers seemed to have lost faith in the future of aluminium, a metal whose production process absorbs huge amounts of energy.

Throughout that difficult period Fetterolf remained steadfastly behind the AIV (aluminium intensive vehicle) project.

"We are very happy with the association with Alcoa," says Franz-Josef Kortüm, who has taken over from Mr Piëch as Audi's chairman. "It works very well because both sides are dedicated to show the world this concept will work and can bring the world new technology. Alcoa is fighting for the aluminium story and we also have much to gain. We can make our slogan Vorsprung durch Technik come to life."

From the outset it was decided each of the companies would pay its own costs. It was expected that during the research and development phase those costs would fall about equally on each of them. From this early work they developed special aluminium alloys for a spaceframe, a skeleton-like car body structure, composed of fewer than 100 extrusions and castings which can be welded by robots. This compares with the conventional car structure that requires spot welding of as many as 300 stamped steel components. The new aluminium alloys and castings processes improve the metal's strength and toughness, enhance its "crushability" – the ability to crumple evenly and predictably – and its shock absorption.

For car makers, the new technology offers several advantages: it cuts the weight of a car's body by about 35 per cent compared with traditional steel bodies without reducing the vehicle's size; it reduces tooling expense by as much as 50 per cent, and cuts the number of parts to be stocked and the time taken from design to production.

The partners agreed that, at a certain point, they would go their own ways with tha technology. Alcoa has built a $70m (£46m) plant at Soest in Germany to produce the spaceframes and other aluminium components for Audi and will be offering the technology – and products from the Soest plant – to other car makers.

Andi has spent about DM1bn (£400m) to bring its new luxury car to the market. Kortüm says: "This is our most important project. We are trying for the second time for success in this segment of the car market and this is a great challenge for the company. But we will set new standards in this segment. We have changed the rule that says the bigger and better the car, the beavier it must be. It is true that cars generally have improved enormously, but tbe weight has increased enormously too."

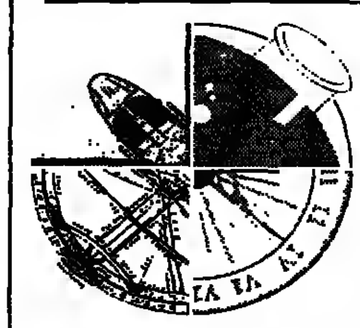
He says the new Audi will offer drivers "a new experience because of its light weight, stiffness and rigidity and safety". Many will find its performance and low fuel consumption astonishing. "And this is because it is built of aluminium."

Kortüm says, however, it is not yet possible to promise that all Audi's cars will one day be using this technology. At present the process is economic only for production runs of up to 100,000 cars a year but the partners are looking for ways to make longer runs viable.

In the meantime, before the new car is launched Audi's biggest marketing challenge, ironically, is to undo some of the aluminium industry's work in promoting the metal as the ideal, recyclable, material for beverage cans and other types of packaging. Kortüm says: "Our marketing must emphasise that all aircraft and rockets use this material. We must re-educate people so that they associate aluminium with high technology, not with something you throw away when you have finished with it."

Audi's study for an all-aluminium sports car demonstrates the potential offered by aluminium for weight saving in car design

## Worth Watching · Della Bradshaw



### Damaged goods sent packing

"Damaged in transit" is an all too frequent expression, but for many small valuable items, such as china or electronic components, it could soon become redundant.

Rapida Pak, of Bedford, has developed a packaging system that suspends delicate items in a flexible film inside a sturdy double-walled corrugated cardboard frame.

A sheet of the bio-degradable film, developed by Wolff Walsrode, in Germany, is stretched across the two halves of the cardboard frame. When the item is placed inside and the box closed around it, the film stretches to the shape of the product, holding it tightly in place. Rapida Pak: 0234 214896.

### Plain fax on a thermal printer

Many companies are considering whether to replace their thermal fax machines with plain paper models. Muratec, a subsidiary of Murata Machinery of Japan, believes it has come np with the best of both worlds – a thermal fax machine that prints on plain paper.

Because the F-70 uses inkfilm transfer thermal printing, in which the image is transferred from the inkfilm to the paper, the costs are stable – 2.5p a sheet. But the use of plain paper means the document does not fade, curl or need photocopying before filing. Muratec: UK, 0737 780178.

### Dental work to chew on

If yon want to prevent tooth decay you should be choosy about the type of artificial sweetener in your chewing gum, according to research from the Central American country of Belize.

The 28-month study of 1,000 10-year-olds, conducted by Kauko Mäkinen of the University of Michigan Dental School, showed that children who regularly chewed xylitol-sweetened gum had half the oew cavities of children who chewed gum containing rival sweeteners.

The research was sponsored by Leaf, of Finland, which makes gum containing xylitol. Xylitol is found in fruits and plants and produced commercially from birchwood. Mäkinen says that unlike other sweeteners, xylitol helps neutralise plaque acids and so promotes natural remineralisation. Leaf: UK, 0272 511122.

### Computers put in the picture

Japanese electronics company NEC has developed a computer system that can identify famous pictures from rough sketches drawn on the screen.

The Intellectual Image Search System uses pattern recognition technology to analyse the colour and composition of a sketch and matches it with the most appropriate image in its database.

As well as innumerable multimedia uses in edocation, NEC predicts that the system could be used to catch criminals by matching rough sketches drawn by witnesses to images on a police database. NEC: Japan, 03 3798 6511.

### White mineral blocks the sun

For those who spend their summer holidays worrying whether tha sun is damaging their skin, Masta, part of the London School of Hygieoe and Tropical Medicine, has developed a sunblock which, it believes, has advantages over existing cosmetic creams.

The lotion, a healthcare rather than a cosmetic preparation, contains the mineral titanium dioxide. It provides a sun protection factor of 15 against UVA and UVB rays.

Titanium dioxide provides the white pigment in paint. In the adult formulation of the lotion the whitening is minimised, but for children it is retained to indicate whether the child's skin has been completely covered. Masta: UK, 071 631 4408.

## PEOPLE

# Liberty carries the torch for Cadbury

Hard on the heels of the appointment of two part-time directors, Liberty has decided to split the two top executive roles at the upmarket fabric and fashion group, bringing in Patrick Auston (right) from BTR as chief executive. Harry Weblin (far right), who is 63, will remain as executive chairman.

John Pugh, finance director, denies the move was solely inspired by pressures from Brian Myerson, the London-based South African investor whose attempts to secure voting rights for all the company's shares at last summer's egm were roundly trounced but who still holds 15.77 per cent of the voting and nearly 8 per cent of the non-voting stock.

"[Splitting the roles] was on Mr Myerson's agenda, but it was also on Cadbury's agenda. Moreover, the search was made with a view to Harry's retirement in a couple of years' time. A happy coincidence," according to Pugh, who adds that the search has been going on for "not quite a year".

Myerson, meanwhile, who says he was introduced to the new man three weeks ago but was not directly involved in picking him, thinks he "has all the credentials to do the job. I spoke to him this morning and wished him lots of luck – and I don't I mean that sarcastically."

Austen, 49, is being hired not for his retailing skills – Weblin, an ex-Harrods executive, has those – but for his brand savvy and textiles experience. With 22 years at ICI Fibres under his belt, albeit handling rather different fabrics from Liberty silk, he moved to Pretty Polly in 1983, just before BTR acquired its then owner Thomas Tilling.

He is credited with the vigorous expansion of Pretty Polly sales. Since 1987 he has been chief executive of the consumer products group of BTR – which includes brands such as Dunlop and Slazenger – a division which turns over £250m annually and employs some 3,700 staff.

And how will the hard-nosed BTR approach go down at the genteel Regent Street headquarters? "Any form of discipline is going to be good for the company," Pugh counters, while others comment that Austen, a keen golfer and blue water sailor, is notably more relaxed than some of his erstwhile colleagues.

### Rose steps into Coleman's cast-offs

Burton, the UK fashion retailing group, confirmed yesterday that John Coleman had resigned as head of its Dorothy Perkins division. The company would not comment on the reason for Coleman's departure, but there is speculation that he is being considered for other senior retail positions.

He will be replaced by Stuart Rose, managing director of Burton's Evans chain.

Rose, 44, spent the first 17 years of his retail career with Marks and Spencer, 12 of them in the food division. For the final 18 months he worked at M and S's highly successful Boulevard Haussmann branch in Paris.

He joined Burton in 1989 and worked as a buying and merchandising director at the Debenhams department store chain before joining Evans.

Rose's eventual replacement at Evans will be Nick Hollingworth, managing director of IS, the discount retailer that comes under the Evans umbrella.

■ Oliver Whitehead, group chief executive of Babcock International, has been confirmed as Graeme Odgers' replacement as group chief executive at ALFRED McALPINE.

■ Dave Willett, president of Servomex Company in Boston, has been appointed a main board director.

■ Nicholas Harrington, finance director and company secretary, has been appointed to the board of ASPREY.

■ Marcus Hewson, regional director for London and the south region, and Andrew Taylor, regional director for the Midlands, have been promoted to senior vice-presidents on McDONALD'S RESTAURANTS top UK team; this consists of two executive vice-presidents and three senior vice-presidents.

■ Malcolm MacIntyre, formerly manufacturing director, has been appointed md of PLYSU.

■ Arnie Iverson has been appointed to the board of WOODCHESTER INVESTMENTS.

■ Andrew Keyte has been appointed marketing director of UK GOLD; he moves from Warner Home Video. Cynthia King Vance has been appointed finance director; she moves from McKinsey.

### Bowman bows out

The search is on at accountants Price Waterhouse for a new chairman of its European firm, following the announcement that Sir Jeffery Bowman, the incumbent, is to retire this autumn.

Sir Jeffery, 58, has been chairman since the creation of the pan-European structure when UK and European firms combined in 1988. He has helped guide the integration of the firms since.

"I could go on until I am 60 in 1995 but I have been in pretty senior positions for about 11 years and I came to the conclusion that now was the right time for a change," he said.

Sir Jeffery was previously senior partner of PW in the UK from 1982-91, and had been with the firm since 1958. He was joint chief executive of the PW world organisation from 1990 to 1992 and joint chairman since 1992.

He says he plans to travel less, play more golf, stay at home and take life a little more easily. "But I have no doubt that something will come up," he adds.

An electoral college of about one-tenth of the firm's European partners is currently considering candidates to replace him after he leaves on September 30. Nominations are expected to be complete by July.

### Engineer quits Invesco MIM

The surprise resignation of Invesco MIM's finance director Ratan Engineer yesterday will almost certainly not be the last departure, with other changes understood to be afoot, at least below board level. The troubled fund manager has already lost other senior staff this year.

Engineer had been with the group for six years, the past four as finance director. He had also chaired Drayton Asia, the investment trust which Invesco has just lost to EFM Dragon after a strongly contested battle. Before joining Invesco, he had been a partner and head of corporate finance at Robson Rhodes.

Michael Perman, company secretary, says that Engineer's departure was "totally unrelated to Drayton Asia". He alluded to the management changes over the past year in the course of which the American Charles Brady first became chief executive and now executive chairman. "Ratan has been heavily involved in implementing the changes, and he stayed to help do the results. Now he wants to change his focus. It is a personal decision and totally amicable," says Perman.

Engineer's departure does raise again the question of the future location of head office. With the bulk of funds under management emanating from the US there has been speculation that a move across the Atlantic may not be far away.

# Hammer falls on the last of the old school

**Vanessa Houlder** on the departure of Sydney Mason after more than four decades at Hammerson

When Mr Sydney Mason, the autocratic 72 year-old chairman of Hammerson, retires this summer, it will be the end of an era for the property company he has dominated for the past 34 years.

*Mr Mason has been virtually synonymous* with the group since he took over as chairman from Lew Hammerson in 1958. Although he relinquished the post of managing director in 1988, the company is still perceived as his personal fiefdom.

His retirement will also mark the end of an era for the industry. Mr Mason is the last surviving member of the postwar generation of property tycoons, the last of the men of the old school.

Mr Mason's retirement is widely seen as long overdue. Nonetheless his colleagues talk reverently of his "gut feeling" for property, his instinctive ability to size up the value of a deal. "He has a nose for property; he can smell a deal," says Mr John Parry, Hammerson's managing director. "He is street wise."

Much of this nous comes from experience, a matter of knowing the finer details of every deal in the market. Mr Mason expects the same standards from his advisers. When he travels abroad to inspect a building, agents are well advised to memorise the details of every building on the route from the airport to the city.

For his part, Mr Mason credits the group's growth to "good luck" and "location". The advantages of sticking to central, prime locations has been at the heart of the group's philosophy. He is scathing about the foolishness of venturing into areas like the London Docklands. "Every British developer could have done the docklands at any point over the past 20 years," he says.

Mr Mason claims that it was comparatively simple to build up a property group in a period when properties could be financed without relying on rising rent reviews. "We started in a modest way and grew by internal growth. It was relatively easy."

But Hammerson's evolution was not a passive affair. Much of the skill behind its growth came in piecing together development sites without alerting potential sellers and forcing up land prices. The company put together 12 different sites for Woolgate House in the City of London, and assembled five sites for a retail complex at Brent Cross, the UK's first out-of-town shopping centre, which took 17 years to bring together.

**Hammerson has long been perceived as Mason's personal fiefdom**

Likewise Hammerson became noted for its ventures abroad. It developed properties and acquired companies in continental Europe, Canada, Australasia and the US, making it the most international of the large UK groups.

Mr Mason has described his early years in the business as one of "pirates and buccaneers". But in the second half of the 1980s, the group was increasingly criticised for being too cautious and failing to exploit rising property values.

When in 1988 Rodamco, a Dutch investment group, made a bid for Hammerson, it said: "During a period of buoyant growth in the UK property sector, Hammerson has lost its way and has failed to take full and profitable advantage of an active market."

Rodamco's £1.3bn bid was foiled when Standard Life, the Scottish insurance group, came to Hammerson's rescue. Standard increased its stake in Hammerson from 17.8 per cent to 29 per cent by paying £11 a share for its ordinary shares. Standard's loyalty has so far been poorly rewarded: the ordinary shares yesterday stood at £3.20.

But for all Hammerson's conservatism, the company has not been immune from investment disasters. In October 1991, it had to write off £90m against a single property in New York. It has recently made a £12.9m provision against land at Mississauga in Canada.

Hammerson's international spread of businesses has also served it badly. It has been exposed to currency fluctuations while the simultaneous decline of most of the world's property markets has meant that it has reaped few benefits from its policy of diversification.

The group's net asset values and earnings per share have also fallen below the level of a decade ago. It is no longer the UK's third largest property company: both British Land and Slough Estates have larger market capitalisations. This week Hammerson announced it was to reduce by more than half its dividend, from 20.5p to 10p.

Its gearing of 114 per cent is acknowledged by the company to be too high, although Hammerson plays down its need to raise more cash. "You don't want to reduce your gearing too much at the bottom of the cycle," says Mr Parry.

Nonetheless, nothing can be ruled out until Hammerson's new management has got its feet under the desk. A rights issue may still be on the cards, perhaps to the tune of £200m. That would stem the need to sell more assets, which does little for the group's cash flow since income from property would broadly equal interest costs. A rights issue would even allow the company to turn from seller to buyer.

The company's new chairman will be Mr Geoffrey Maitland Smith, chairman of Sears. The new chief executive will be Mr Ron Spinney, a former managing director of Greycoat, who will replace Mr Parry, who also retires this summer.

Mr Maitland Smith promises "evolution not revolution". One of the management's first tasks will be to conduct a review of Hammerson's strategy. This will examine:

- the constraints imposed by Hammerson's policy of owning a relatively small number of big properties around the world;
- the company's management structure and its perceived failure to bring in young talent;
- and the geographical and sectoral balance of its portfolio.

For the first time since 1949 when he joined the group, Mr Mason will not be playing a part in the group's strategy. He is clearly disappointed at stepping down at one of the lowest points in the group's fortunes. "After 40 years during which we have had sustained growth in value, dividends and share prices, to go out at the bottom is sad," he said.

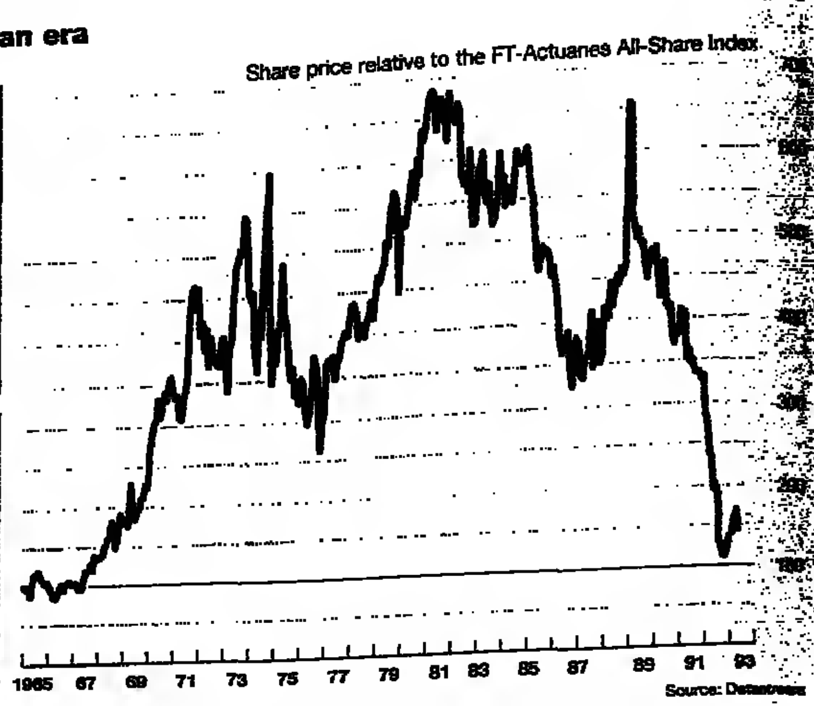
Although Mr Mason will maintain a link with the company as life president and a non-executive director, he will no longer exercise any real influence. "I won't be breathing down Ron Spinney's neck," he promises.

He is cautiously optimistic about Hammerson's future, playing tribute to Mr Spinney's background and knowledge. He says "time will tell" what the change of management will do for the company. "I can only hope it will be a highly successful decision," he says.

**Hammerson: end of an era**


Sydney Mason


Geoffrey Maitland Smith



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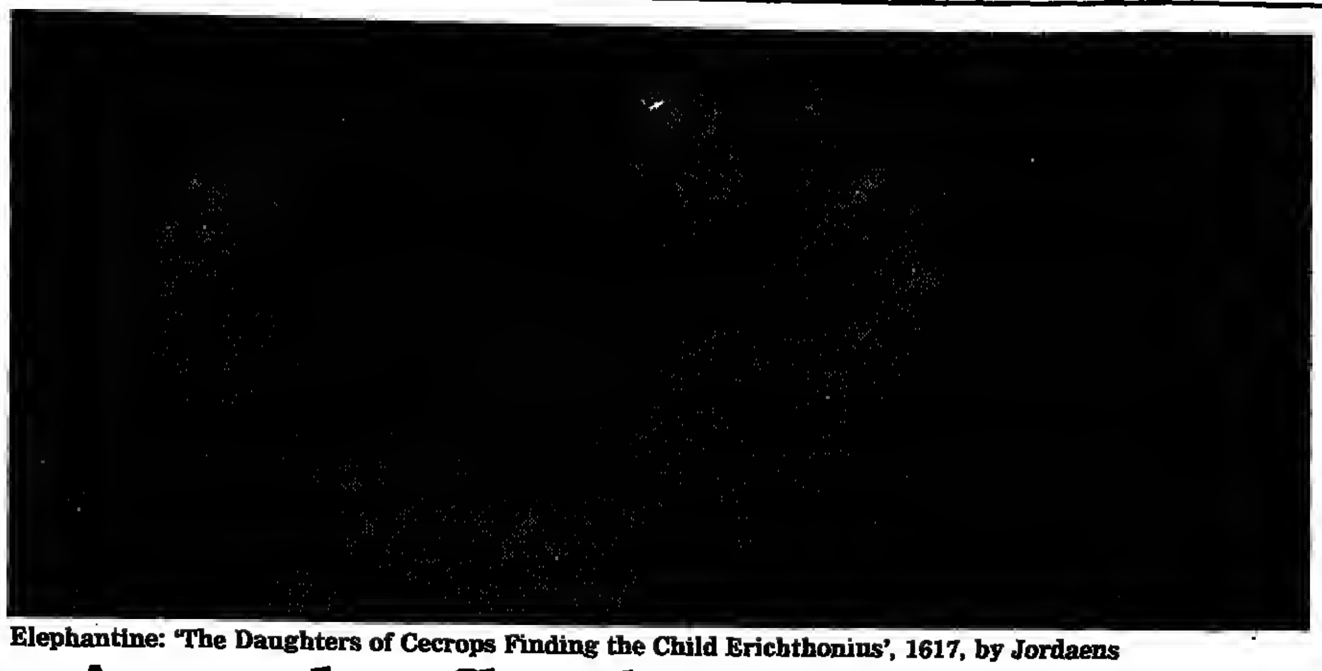
# ARTS



Elephantine: 'The Daughters of Cecrops Finding the Child Erichthonius', 1617, by Jordaens

## Ample flesh to the fore

### Patricia Morison reviews Jacob Jordaens in Antwerp

The subtitle for *Jacob Jordaens*, at the Royal Museum of Fine Arts in Antwerp, could be "The Triumph of Fat". As Americans put it, I have a problem with Jordaens – which is not to say anything against an engrossing exhibition, the most ample (*le mot juste*) exploration of Jordaens' art for a quarter of a century.

This exhibition marks the 400th year of the birth of Jordaens. Well selected, with paintings which give a full idea of Jordaens' huge output, the show makes a prestigious beginning to Antwerp's year as European Capital of Culture. Jordaens' reputation has had its ups and downs: in the last century he was hailed by Flemish nationalists as through and through a Fleming – earthy, sensual, cheery and scrupulously honest; and at a time when the fractured nature of Belgium grows more evident by the month, it seems fitting that the focus is once again on Jordaens.

Even by 17th-century standards, Jordaens was an extraordinarily fleshy artist which makes it hard for anyone too set on the 20th-century ideal of beauty to appreciate his work. His men and women swell, sag, and ooze from their clothes – when they are wearing any. As he grew older and lost his youthful bounce, figures which had at first boldly filled canvasses became smaller but not leaner, leaving more room for sub-Rubens landscapes or squirming Baroque architecture. A Jordaens nude, highly appreciated in his day, can be a loathsome thing as in the elephantine blonde in "The Daughters of Cecrops Finding the Child Erichthonius".

Dogs, cows and horses abound in Jordaens' paintings, and he had a mania for parrots. Rubens generally had the accomplished Frans Snyders to add in the animals, but in Jordaens' equally prolific factory it seems much less clear who did what. Assistants busily recycled figures from the huge stockpile of drawings, plonking them on canvasses with fine disregard for relating them either to each other or to the setting.

Quality control lapsed to a degree which had not been true of Rubens' workshop. Whoever wielded the brushes, it is impossible to exonerate the master for sending out paintings as awful as the late "Mercury and Argus" (private collection), with cows like dollops of melting lard.

While Rubens and Van Dyck were alive, young Jordaens was regarded as third among the history painters in Antwerp. Unlike them, he never went to Italy. After they died, he became number one painter and had some very grand clients – including Charles I of England who ordered but never got a decorative cycle for the Queen's House in Greenwich.

The fascinating thing about this exhibition is the gulf in ability between Jordaens and his great predecessors. A Jordaens portrait can be pretty, as in the half-length "Portrait of a Young Lady" from Vienna. But he has none of Van Dyck's ability to convey refinement, intellect, nor languid melancholy. Time and again, his bravura painting of heads is let down by clumsy bodies.

Jordaens's Prado self portrait with his wife and child is a lovely exception, but in many groups the figures tend to be hugger-mugger. A late portrait from the Hermitage of a man and two women is a collapsing mountain of satins and billowing white bosoms. The gentleman's leg sticks out in the most inelegant manner from under the skirt of a lady whose legs have apparently given way. One of Jordaens' regrettable cupids prods at her melon breast with his arrow. Dignified it is not, yet the artist has created a quite extraordinarily happy portrait.

Animal high spirits demonstrate the best of Jordaens, who has a gift for capturing smiles and laughter. He can make us smile, too, in the "Allegory of Fruitfulness" from the Bass Museum in Florida, the tiger filching grapes from a basket almost steals the scene. Subjects like "As the Old Sang, So the Young Pipe" (versions from Antwerp, Valenciennes, and a private collection) and "The King Drinks" (from Brussels), have long been the most popular aspect of Jordaens.

Important and little-known religious paintings confirm the suspicion that dramatic scenes of grief and suffering were not Jordaens' strong point. His penchant for including contemporary peasants in religious scenes conformed to Counter-Reformation piety, but because they are such coarse brutes, the effect is a far cry from Zurbaran. "The Holy Family with Various Persons and Animals in a Boat" is quite as hilarious as the title suggests. The catalogue (in two volumes and very desirable) disputes the view that Jordaens' conversion to Calvinism had any effect on what he painted, or for whom. He was too much the professional for points of theology to make any odds.

The treat is the last room, a splendid finale. Here is Jordaens the tapestry designer – something which for which he was tremendously in demand. Six Brussels tapestries, "The Riding School", are almost the complete set from one bought for a Habsburg wedding and still in Vienna. They look almost as good as new, their crimson and green hardly faded. Jordaens produced quite a few horsey tapestries, an illustration for the current fashion for applying astrology to horse-breeding. Like people, horses had star-signs; a Renaissance edition of *The Racing Times* would have printed a horoscope for horses. These tapestries of Spanish-style dressage are magnificently exuberant and infectiously light-hearted. Gods, men and women, horses and peacocks, mingle on the friendliest terms. Here is the best of the world according to Jordaens.

*Sponsored by Gemeentekrediet and Sabena. Exhibition continues until June 27, 1993. Closed on Mondays; late opening Wednesdays until 9 pm*

Opera/**Richard Fairman**

## A Scottish 'Norma' to cherish

One of the enduring memories from my year at opera school is watching Caballé rehearse *Norma*, tripping lightly along the coloratura up to top C's and down again. Unfortunately it never sounded as easy as that in the performances. The role seems to invite vocal mishaps, as when a later soprano at Covent Garden opened her mouth to deliver the crowning top note of her entrance aria and nothing came out.

What a pleasure it is after so many years of disappointments to come out of a performance in which the soprano had all the notes – the high, the low, the loud, the soft, all there for her to pluck from the air as deftly as a sprig of Norma's holy mistletoe. Jane Eaglen was the singer, to whom Scottish Opera has entrusted its new production of Bellini's opera. In recent seasons she has done them proud in several other roles and this was her due.

There are just a couple of ways in which she falls short of the ideal Bellinian soprano and it is best to get those out of the way at the outset. The voice is not really Italianate at heart, not vibrant with emotion, open, intense; nor does she always drive home a phrase at the point where it counts (although I note that her final solo, "Deh! non volerli vittime", raised the emotional temperature enormously).

In every other respect this was a magnificent display of confident and secure singing. Miss Eaglen is more ambitious vocally now. Her "t'imploro" to Adalgisa melted into the softest tone. The cadenza up to a high B in front of Oroveso was a marvel of floated quiet singing from so big a voice. It comes as no surprise to read in the programme that her future engagements are to be in Vienna, Chicago, Paris etc.

As this opera contains some of the finest of Bellini's music, it would seem to invite the sublime in a production, but all it usually gets is the ridiculous (remember Covent Garden's pack of neanderthal yokels galumphing around the stage?) Judge's production has its share of the risible. The priestesses enter like a chorus-line of *Druidic Tiller-girls*, clad in the latest snazzy bronze body jewellery with multi-coloured fans on their heads, and they wield wicked-looking scythes.

But I must not mock. As productions of *Norma* go, this one at least has the advantage of an ingenious set, which gives us a real sacred grove, in which the Druids can attend to their rites; and Judge is one of the most able at working with his singers to bring drama, emotion and personality from the music. From Jane Eaglen he drew far more than the usual stock melodramatic poses.

It was unfortunate that the scheduled Pollione was only able to act the role, while another sang from the side of the stage. Katherine Ciesinski sounded somewhat curdled of tone as Adalgisa, but she was brave enough to take the top part in her first duet with Norma, when other singers of the role usually shelter faint-heartedly underneath. Norman Bailey, looking a Merlin-like elder with long, white locks, was a suitably grave Oroveso.

John Mauceri conducted, giving us every note of the score as it is printed in most editions, plus the calm ending to the "Guerra" chorus, which Bellini cut from his autograph. The ornamentation, worked out during rehearsals, was among the most stylish of its kind. In fact, all told, this was among Scottish Opera's finest efforts: the company has provided a fine showcase for its world-class Norma.

Jane Eaglen: a world-class Norma

*Production sponsored by the Peter Moores Foundation. Further performances at the Theatre Royal, Glasgow until May 6, then Aberdeen, Edinburgh and Newcastle*

Theatre/**Alastair Macaulay**

## For Services Rendered

Good chaps – white men – pick of the British nation. That horrible war! Terribly fond of you, old thing. When you think of what the War did to him, I'm only too happy to sacrifice myself for him. I may only be a farmer now, but I've been an officer and a gentleman. I don't suppose he drinks any more than anyone else of his class. Are you awfully in love with me? Awfully.

And so on. In his 1932 play *For Services Rendered*, Somerset Maugham catches all the argot and snobberies of the midwar English upper middle class, and shows them up as a façade. Frustrations and disillusion are ready to burst forth. And they do, they do. Mrs Ardsley (Sylvia Syms) is terminally ill, her son (Tim Sabel) is an invalid blinded in the Great War, her daughter Ethel (Harriet Bagnall) has unhappily married a mere common farmer (Colin Haigh), another daughter (Moir Leslie) is being driven bonkers by a life of spinsterly self-sacrifice, and a third daughter (Sarah Burghard) is tempted to elope with a married man just to win some independence.

Maugham shows how the war spoilt everybody's world. Even Mrs Ardsley, preparing for death, admits to her son that she is out of place in the modern world; "I'm pre-War". All this has a certain socio-historical interest today. The designer, Kit Surrey, sets the Ardsley's drawing-room pointedly between a backdrop of English landscape and a foreground of burial crosses and Remembrance poppies.

Yet half the war stuff seems rather laboriously tacked on. The play is really just a diagram of the minor provincial gentry's pathetic decline. Every character is plainly a type. When blind, hard-headed Sydney says, "There are families all over England just like us," he is only too right. If a play is to live, we need to believe in the particulars that make its characters like nobody else but themselves; but not so here.

The first quality that a play like this needs in performance today is sheer tact. We have to buy all its old-school understatement and circuitous snobberies without sniggering at them. In this respect, Deborah Paige's staging is excellent, its period sense flawless. Sarah Burghard is not luminous enough to persuade us that married men would really fall for her, but she shows Lois's dilemma with perfect clarity. As her crazed sister Evie, Moir Leslie does a very good job, bringing off a fit of violent hysterics and a mad scene. Ann Penfold, Terry Taplin, Jeffrey Segal, Harriet Bagnall, Colin Haigh, and Peter Halliday all contribute fine pieces of period character acting.

But it takes another order of performance, conjuring eloquence from every detail, to make such a play gripping. For this, see the beautifully understated playing of Sylvia Syms and Tim Sabel as dying mother and blind son. Every feature of body language makes its point, every phrase makes its impact. With these two this play spirits us back through the decades as if 1932 were alive today. Elsewhere it is just a creaky, "interesting", bitter little piece of period sociology.

*At the Old Vic; limited season*

Jazz/**Garry Booth**

## Bheki Mseleku

Poor Bheki Mseleku – everybody so wants him to be The New Thing in jazz. A co-winner of the Mercury Music Award for album of the year in 1992 with his much acclaimed *Celebration*, the gentle South African pianist and sometime tenor player is the reluctant successor to the Abdullah Ibrahim award for the cape's most exciting musical export.

Ibrahim, aka Dollar Brand, is firmly established as a stimulating soloist and an inspiring leader. But Mseleku, a captivating personality who has his own absorbed sound, seems not yet to have a grip on the wide open spaces of solo performance. He showed he could lead with the *Celebration* team but on Monday's showing, alone in the unforgiving Queen Elizabeth Hall, he offered little musical relief.

The concert began with promise, a burning joss stick set behind the piano (a habit of Ibrahim's) before Mseleku walked on breathing rusty melancholia through the tenor as he did so. After some minor piano chords answered by Mseleku's grainy and nasal utterances were replaced by flurried notes, the tone of the long set was cast, however. Perhaps Mseleku, a gentle soul who dedicates his performances to "all the masters of spiritual enlightenment and the great avatars" and an exile from apartheid, was disturbed by the hideous events unfolding at home on that day, but this was all too flat, for too long.

At other times, and in a group, the ragged technique which draws as much on Ellington as it does on the townships, works up waves of ideas which tumble out poetically. Alone on the South Bank, Mseleku seemed to struggle with initially interesting arpeggio runs which collided rather than ran together. Four movements of pre-occupied, superficially soothing improvisation later and Mseleku was still having trouble shaping ideas. Deliciously tender cadenzas sliding off the right hand side of the piano and the player's own quavering vibrato barely made up for the too naive art which went before. Eventually the addition of Tunde Jegende's *kora* for the last number added some depth to the delicate impro.

*Monday's meanderings* may not have been a good advertisement for the new solo album, *Meditations* (Samadhi SA CD 001), and will not prevent Mseleku from drawing eager crowds to his quartet's UK tour, but it does show that these are yet early days for this talented musician.

**Bheki Mseleku, Marvin "Smitty" Smith, Michael Bowie and Denys Baptiste UK tour: June 24, Cheltenham; June 25, Glastonbury Festival; June 26 Bradford Festival; June 27 Cambridge; June 28, Warwick University; June 29, Blackheath**

## Schiller's 'The Robbers'

It amazes me, again and again, that you can so often find rarely-performed cornerstones of world theatre in London's pub theatres. Right now, in the Grace Theatre, up above The Latchmere in Battersea, you can see Friedrich Schiller's first play, *The Robbers* (*Die Räuber, 1780*). Liberty! Equality! You are hurled headlong into a world far from Battersea, far from 1993 – and yet you know, as you watch, that plays like this, written in a blast of proto-Romanticism before the French Revolution, helped to create the world we know today.

It is a double amazement to find such a play in these circumstances, because Schiller is a mighty hard playwright to bring off in performance today. His brow is heavy, his tone earnest, and, in *The Robbers*, he is quicker to plunge us into a climate of *Sturm und Drang* and moral/philosophical dilemmas than he is to create a living, detailed, stage world.

Schiller knew his Shakespeare – as F.J.Lamport's Penguin translation (used here), underlines. The plot opposes two brothers, very much like Edgar and Edmund in *Lear*. The younger, Franz, plots against both his brother, Karl, and their father – wanting not only power but also Karl's beloved Amelia. Karl, banished, takes to brigandry, using violent methods to destroy the corrupt rich; and so, ironically, he becomes more criminal and sinful in practice than his wicked brother.

Both become prey to conscience. Near the play's dénouement, they alternate in soliloquies, like Shakespeare Richard III and Richmond: but their concerns are right, wrong, justice after death and the soul's immortality. As Schiller turns either brother's position into anguished metaphysical speculation, he comes close to such playwrights as Tirso da Molina or (his near-contemporary and friend-to-be) Goethe. And *The Robbers*, which has often seemed an over-lofty play, as it climbs into yet loftier regions, surprisingly transcends itself, and becomes, in the last resort, wholly absorbing.

It would take a remarkably sophisticated team of actors to manage the melodramatic heroism in which *Schiller* steeps this drama. Paul Miller's cast consists chiefly of young, good-looking actors. Several of them attend too much to surface details – brightly intense facial expressions and stiffly fidgety gestures – and too little to the fomenting Romantic energies beneath.

But, as Karl, Dominic Taylor delivers a superb performance. He is marvellously economical and controlled, absolutely in control of every climax, thrilling in outcry, movingly sincere in quiet reflection. There are areas of Romantic despair and tragic distraction that he does not yet fill out, but he shows you the grand shape of this dark hero's mind with power, virility, stillness, and even wit. And as the play proceeds, it sweeps everyone else up to his level.

*At the Grace Theatre, SW11, until May 1*

## INTERNATIONAL ARTS GUIDE

**This year's Prague Spring Festival (May 12-June 1) will be the first time in the festival's history that a non-Czech orchestra has given the opening concert. Although a Czech conductor, Libor Pesek, will be in charge, *the musicians* on the platform will be British – *the Royal Liverpool* Philharmonic Orchestra, of which *Pesek is music* director.**

**Ever since the first festival in 1946, the opening concert has been a national ritual, taking place on the anniversary *of* Smetana's death, and devoted to his paean to the Czech homeland, Ma Vlast. Foreign ensembles were always welcome if their fees weren't too high – but Czech musicians had a monopoly on the *opening* event. This was broken towards the *end of the Communist era*, when one or two distinguished foreign conductors who were closely associated with Czech music were *invited to* direct the concert. The choice of a foreign orchestra this year is a further break with tradition, signifying *the country's* greater openness to the outside world since the 1989 Velvet Revolution. But it is also a *measure of the* RLPO's reputation in Prague: its recording of Ma Vlast with Pesek has won respect, and together they have visited Prague on previous tours.**

**Since the downfall of Communism, the festival has turned its back on Russian artists (apart from Lazar Berman, who gives a piano recital on May 17). Lack of funds has also dictated a reduction in the number of western artists. *That leaves* plenty of room for native Czech *talent, which was always* the main attraction for foreign *visitors, if not for the home* audience. Emigré musicians welcomed back this year include Martin Turnovsky and Jiri Kout, who conducts Mahler's Eighth Symphony on May 21 and the traditional closing performance of Beethoven's Ninth. Booking from Prague Spring Festival, Hellichova 18, 11800 *Prague 1* (fax 536040).**

### ■ EXHIBITIONS GUIDE

**ARLES**
**Espace Van Gogh** Alexei Jawlensky (1864-1941): 70 paintings, including little-known works from American collections, covering the career of the Russian artist who settled in Germany and became part of the Expressionist movement. Ends June 30

**BASLE**
**Kunstmuseum** Hermits in art from 15th to 20th century: a study of *the way European painters* used the theme of isolation to enrich *the art of landscape painting. Ends* May 23. Daily

**BERLIN**
**Altes Museum** The Etruscans and Europe. Ends May 31. Closed Mon
**Martin-Gropius-Bau** Aldo Rossi: 40 models and 300 drawings by the 61-year old Italian architect. Ends May 2. Closed Mon

**CALAIS**
**Musée des Beaux-Arts** Les Salons *retrouvés : an exhibition offering* insight into the sudden burgeoning *of artistic life in northern France* between 1815 and 1848. Ends June 14.

**COLOGNE**
**Museum Ludwig** Picasso: 180 works from the Ludwig Collection. Ends May 16. Closed Mon

**DRESDEN**
**Albertinum** Giorgio Morandi (1890-1964): retrospective of the Italian still-life painter, whose *meditative spirit has something* akin to Cezanne and Chardin. Ends *June 6. Also Gotthardt Kuehl* (1850-1915): 75 paintings and 41 drawings by the German Impressionist. Ends June 9. Closed Thurs
**Kupferstich Kabinett** A Century Ago: paintings and drawings by Munch, Toulouse-Lautrec and other prominent artists of the late 19th century. Ends May 14. *Closed Sat* and Sun

**THE HAGUE**
***Mauritshuis*** *Cornelius Troost and* the Theatre: an exhibition tracing *the 18th century Dutch painter's* close ties to the theatrical world. Ends June 27. Closed Mon

**LAUSANNE**
**Musée d'Art Contemporain** Discovering the Collections of French-speaking Switzerland: after two years of exhibiting art imported from all over the world, the museum now turns to the rich *private collections on its doorstep,* focusing on important works of the past 30 years - many of which have never been seen in public *before. Among the movements* represented are Arte Povera, contemporary Russian art rarely seen in the West, Pop art, Transavanguardia and Minimalism. There are examples of work by Georg Baselitz, Anselm Kiefer, Ed Paschke, Cy Twombly and many others. Ends June 27. Daily
**Fondation de l'Hermitage** Diaghilev and the Ballets Russes: *60 drawings by Michel Larionov* and Nathalie Gontcharova evoking *the legendary troupe which was* based in Lausanne in 1915. Ends *May 23. Closed Mon*

**LEIPZIG**
**Museum der bildenden Künste** Aspects of Modernism in Europe after 1945: 140 works from worldwide collections, with Beuys, Trockel, Tapies, Dubuffet and Polke among the 70 artists represented. Ends May 31. Closed Mon

***MUNICH***
**Kunsthalle der *Hypo-Kulturstiftung*** Picasso: After Guernica. Ends June 6. Daily
***Neue Pinakothek*** Victorian Painting on loan from British collections. *May 2. Closed Mon*
**Staatliche Antikensammlung** Joseph Beuys and Antiquity. Ends May 9. Closed Mon
**Stadtmuseum** Munich Goldsmiths. Ends May 23. Closed Mon

**NANCY**
**Musée des Beaux-Arts** The Return of Grandville: more than 100 works by the early 19th century Nancy-born artist J.J.I.Grandville, whose drawings provide an elegant *and detailed portrait of nature* and social injustice. Ends July. Closed Tues

**NEW YORK**
**Brooklyn Museum** Manet to Picasso: 35 rarely seen works on paper, created between 1870 and 1940. Ends May 23. Closed Mon and Tues
**Guggenheim Museum** Picasso and the Age of Iron. Ends May 16. The main museum is closed on Thurs, the SoHo site on Tues
***Museum of Modern Art*** John Heartfield, inventor of *photomontage. Ends July 6. Also* Max Ernst: Dada and early *Surrealism* 1912-27. Ends May 2. Drawings of Joseph Beuys. Ends May 4. Closed Wed
**Metropolitan Museum of Art** The Greek Miracle: classical sculpture from 5th century BC. Ends May 23. Also The Havemeyer Collection: 450 works ranging from French Impressionists and old masters to Asian art and Islamic pottery. Ends June 20. Closed Mon
***Whitney Museum of American* Art** 1993 Biennial. Ends June 13. Closed Mon

**PARIS**
***Centre Georges Pompidou*** Matisse 1904-17. Ends June 21. *Closed Tues*
**Grand Palais** The Century of Titian. Ends June 14. Also Amenophia III. Ends May 31. Closed Tues, late opening Wed (ave du General Eisenhower)
**Musée d'Orsay** 1893: The Europe of Painters. Ends May 23. Closed Mon, late opening Thurs (quai Anatole France)
**Musée Picasso** Picasso and the bulls: paintings, drawings, sculptures and ceramics on the *theme of bull-fighting, showing* its life-long importance in Picasso's *imagination and inspiration. Ends* June 28. Closed Tues
**Petit Palais** The Splendour of Russia: a thousand years of goldsmiths' work. Ends July 18. Closed Mon
**Galerie Gerald Piltzer** Chagall: 40 works. Ends May 8. Closed Sun (78 ave des Champs-Elysées)

**STUTTGART**
**Galerie der Stadt** Munch and his Models: *100 works illustrating how* the Norwegian Expressionist *penetrated the inner psychology* of his subjects. Ends Aug 1. Closed Mon

**TUBINGEN**
**Kunsthalle** Cezanne: 100 paintings from worldwide collections. Ends May 2. Closed Mon
**Stadtmuseum Kornhaus** The Art of Arctic Hunters: little-known Siberian art from ancient times. Ends May 23. Closed Mon

**VIENNA**
**Kunsthistorisches Museum** From *Breughel to Rubens, the golden* century of Flemish painting: 150 *paintings and 200 drawings and* graphics from the period 1550-1660. *Ends June 20.*
**Kunstforum** Vienna Biedermeier. Ends *June 27. Daily*
**Historisches Museum** Ferdinand Georg Waldmüller : 40 oil paintings by leading exponent of early 19th century Viennese Biedermeier. Ends May 30. Closed Mon

**WASHINGTON**
**National Portrait Gallery** American Art at the 1893 World Fair: 100 paintings and sculptures displayed *at the Chicago exhibition 100 years* ago which helped redefine *American attitudes towards the* arts. Ends Aug 14. Daily
***National Museum of American* Art** Masterworks from American Art Forum Collections 1875-1935: 64 works by Albert Bierstadt, Childe Hassam, John Singer Sargent, Edward Hopper and others. Ends July 5. Daily
**National Gallery of Art** Helen Frankenthaler (b1928): more than 75 prints and related drawings by the American artist who is credited *with playing a pivotal role in the* transition from abstract *expressionism to colour field* painting. Ends Sep 6. Also William Harnett, 19th century *American* still-life painter. Ends June 13. Old master and modern drawings from 16th to 20th centuries. Ends Aug 15. Daily
**Textile Museum** Faith Ringgold: 17 works by the Harlem-born artist, showing the influence of traditional African and Asian textiles in her *politically-charged story quilts, soft* sculpture and painted cloth *hangings. Ends Sep 19. Also Saltillo* Sarapes: 42 woven wearing *blankets from north Mexico dating* from the 18th and 19th centuries. Ends Aug 8. Daily

# Quiet on the eastern front

## Obstacles facing developers could keep Berlin a divided city, says **Judy Dempsey**

East Berlin is struggling to rebuild itself. Disputes over property rights, bureaucracy and complex planning regulations are presenting developers with a frustrating obstacle course. Their difficulties threaten to prolong the division between the two halves of the country's new capital and demonstrate the problems of urban renewal facing eastern Germany.

In parts of the Mitte - the traditional city centre - there are pockets of activity. Contractors are tearing up the streets, and renovating the transport and water systems, and housing stock. Some international property developers, such as Tischmann Spier of the US, are building new office and shopping complexes.

But for most areas the building boom expected by contractors after the collapse of the Berlin wall in November 1989 has been slow to spark. A sense of dereliction hangs over much of the former Prussian capital.

Mr Mark Palmer, a former US ambassador to Hungary and now a property developer, says he had little idea about the problems he would face when he arrived in the city after the wall came down.

Mr Palmer, backed by Ronald Lauder, the cosmetics magnate, plans to develop a 20,000 square-metre American Business Centre alongside Checkpoint Charlie. In 1990, he started to buy 48 plots of land, some from the city council, others from the Treuhand, the agency responsible for privatising eastern German industry, and the rest from private owners.

"We soon discovered that many people were claiming rights over the property," said Mr Palmer. His staff spent hours in the Berlin land registry tracing the original owners of the land. In one case, 214 heirs were claiming a 600 square-metre plot of land. Mr Palmer said he paid former property owners the market value, which between 1990 and 1993 rose as high as DM20,000 (£8,130) a square metre - the highest in Germany.

In another case, finally resolved earlier this month, Mrs Hilde Frank, an elderly Jewish lady living in New York, wanted to reclaim her small plot of land, rather than seek compensation from Mr Palmer. Under the terms of 1991 legislation on compensation and restitution, investors in eastern Germany have priority over restitution from former property owners if they can prove they are providing jobs and housing.

But that law was amended in 1992, enabling former Jewish owners the right to restitution. Mr Palmer had bought the disputed plot from the city council, before the law was changed. Mrs Frank wanted the 1992 version of the law applied so that she could get her property back. Both sides eventually settled out of court. It has taken Mr Palmer almost three years to resolve all the outstanding property claims. He hopes to start building the DM1bn office complex in September.

"There's one thing we learned about doing business here. You cannot go in blind. You must be prepared to deal with property rights. It takes time. But it can be done," said Mr Palmer. There are already over 119,000 pending property claims in east Berlin.

It not only the question of property rights which has delayed the development of east Berlin. Mr Rainer Wagner, the manager of Sony, the Japanese electronics company, says the bureaucracy of planning can be "a nightmare".

In 1991, Sony bought 31,000 square-metres of land in Potsdamer Platz for DM101m, intending to use the site for its new European headquarters.

"When we bought the land, we didn't know that the city of Berlin was going to develop around our site. This involves building a street tunnel on the western side, and a huge underground railway station on the eastern side of Potsdamer Platz. We had to revise our plans several times so that they fitted into these changes," says Mr Wagner.

The Berlin wall has crumbled but there are few new structures

Other property developers say Berlin's divided coalition government presents particular difficulties. "The Christian Democrats and Socialists can't make up their minds if they will allow high rise buildings. They keep changing their minds about what buildings should be torn down in eastern Berlin. Sometimes I feel they are overwhelmed by the task of uniting the city," says one French planner.

Some politicians have tried to make it easier for developers. "Mr Wolfgang Nagel, head of the planning department, is committed to making Berlin open for investors and developers. But really, very little can be done in this city without connections, money, and a big name," said Mr Wagner. "You also have to remember that many of the planning experts in the government moved to the private sector after 1989, so you are dealing with inexperienced officials."

The problems of settling property rights' claims and obtaining planning permission means that developers must take a long-term view. "You don't come to Berlin and develop with the fast buck in mind. This is a long haul. The Japanese are here because they believe that Berlin, in the future, will be a very important city in the heart of Europe. There's going to be a need for high-quality office space," explained Mr Wagner. Berlin has only 3 square-metres of office space per capita, compared with Frankfurt's 12, and Dusseldorf's six.

"Berlin is underdeveloped. There was no need to think about an office infrastructure before 1989," said Mr Palmer. The need for office space is likely to increase, following the decision by the federal government to move Germany's ministries from Bonn to Berlin.

No date has been set for the move, which is expected to take several years, but President Richard Von Weizsäker has said he will move his official residence permanently to the new German capital by the end of 1993.

Property developers, however, do not believe the move by the government will push prices much higher than their present levels. "The euphoria of late 1989 has gone; the rush to buy property at any price has subsided," said Mr Julian Rudd-Jones, a planner for Stanhope, the British developer. "The price of land has stabilised," he said.

But the price has stabilised at a very high level - between DM10,000 and DM15,000 a square-metre - and construction costs can be prohibitive. East German labourers demand the same wages as their western counterparts and there is a shortage of skilled workers. "This is an expensive city. Construction costs are 40 per cent higher than Hamburg. Hamburg used to be the highest in Germany," said Mr Palmer.

Financial pressures have combined with the problems of planning and regulation to create a mood of anxiety among developers. They are urging the Bundesbank to cut interest rates further to ease some of the pressure while they try to complete their projects.

"To tell you the truth, our money is not working for us. The banks might get nervous if we don't start building soon and fill these empty spaces with tenants. That's why the Sony and Palmer projects are so important. They will send a signal to other developers that Berlin is finally on the move," says one developer.



## Joe Rogaly

# Clinton calls the shots

President Bill Clinton is ducking and weaving, but today or tomorrow or early next week be should make a decision on Bosnia. By Monday the Russian referendum will be out of the way. The west can then stop holding its breath and walking on tiptoe. Next Friday will be Mr Clinton's 100th day in office. The anticipation in London is that the president will have declared himself by then.

That is the timetable to which the foreign secretary, Mr Douglas Hurd, is working. I gather from Washington that, yes, there is a discernible sense of urgency over there, but it is partly TV-driven. A few more days of relative calm in Srebrenica may lead some in the US administration to believe that they can postpone the dreadful day on which the president must make a choice. Let us wait, they may say, to see the full effect of the strengthened UN sanctions, which start on Monday. Further horror pictures on prime-time news would speed the decision-making process.

Either way, Mr Clinton must eventually point the way. When he does politicians on this side of the water may squeak and squeal and shake their heads, but they will go along with what he proposes.

If you listened carefully this week you could hear the British government preparing itself for an accommodation with the White House, even if, as it expects and fears, Mr Clinton proposes a high-risk strategy to contain the Serbs. The evidence was there in the foreign secretary's words in the House of Commons on Monday. What he seemed to be saying was that the government was against bombing Serbian supply lines and opposed to arming the Bosnian Moslems. What he was actually telling us was that if the Americans insisted on arming or bombing, or both, Britain would acquiesce.

Look at the small print. "We cannot rule out anything as the situation develops," said Mr Hurd, referring to air strikes but including "other options" in his remarks. Reminded by Mr Jim Marshall, the Labour member for Leicester South, that the arms embargo plays into the hands of the Serbs, the foreign secretary replied: "The logic of what the honourable gentleman says obviously has a very wide appeal, particularly in the US. We may have to consider this, and I am not ruling it out in certain forms."

It so happens that the British secretary for defence, Mr Malcolm Rifkind, has been in Washington this week, partly to attend the ceremonial opening of the holocaust memorial museum, and partly to lobby the US defence secretary, Mr Les Aspin. The coincidence of the two purposes of his visit is, in present circumstances, thought-provoking. Mr Rifkind has doubtless been rehearsing Mr Hurd's arguments against any military escalation of the conflict. He will have had a sympathetic audience from Mr Aspin, who is of the generation that was permanently scarred by the Vietnam war. All the accounts reaching London suggest that the Pentagon is deeply reluctant to support any course, even high-tech bombing, that might lead to an increasing involvement of American forces in the unpromising terrain of Bosnia.

**Clinton must point the way. When he does politicians on this side of the water will go along with what he proposes**

Against that Mr Aspin served 11 consecutive terms in the House of Representatives, becoming chairman of the armed services committee in 1985. He is credited with the most sensitive political antennae of all the administration's officials concerned with defence and foreign policy. If, therefore, Mr Clinton, the untried young ex-governor of Arkansas, finds it difficult to persuade his generals of the logic of air strikes, then he will be advised by Mr Aspin as to how to handle Congress.

As the British government sees it, that points one way: to the removal of the arms embargo. You will realise how the foreign office arrives at this view if you cross off the remaining possibilities. The first, sticking resolutely to humanitarian aid while tightening sanctions against Serbia, is the preferred choice in London. But it is thought here that this will be insufficient to deflect congressional and media pressure to "do something". This is understandable. Contrary to popular mythology, sanctions can work, as they did, along with other forces, against apartheid. The process is, however, extremely slow.

Well then, say some, send Nato troops to keep the peace in the hills. Mr Paddy Ashdown, the leader of Britain's Liberal Democrats, substitutes "UN" for "Nato", but the strategy is the same. It is a perfectly logical response to Serbian expansionism. It has one overriding flaw. It appears to have been ruled out by the British, French and US governments. It is therefore not an immediate proposition.

We are ineluctably back to lifting the embargo. The way British ministers see it, this would be the worst choice of all, more damaging than selective air strikes. But are the two proposals mutually exclusive? The diplomatic professionals believe that a proposal to sell arms to the Bosnian Moslems alone would be vetoed by Russia, even after a Yeltsin victory. The entire embargo would have to go.

The consequences would be dramatic. The remnants of the Vance-Owen peace plan would he swept away. The UN humanitarian forces would have to be withdrawn. An arms bazaar would open up in the Balkans. At the same time, it is being argued in the US, the Serbs would wish to launch an all-out assault on Moslem towns during the interval between the proposal of an embargo-lifting resolution in the Security Council and the actual arrival of weaponry in Bosnia. The only way to stop them from doing that would be to accompany the arms' sales resolution with a threat of air strikes against any Serbian forces that moved.

It is hardly surprising that the conventional wisdom in Washington is that there are "no good options". That is a given. It is, however, the task of our political leaders to base their decisions upon some foundation of principle. Let us take the easiest one to sell: self-interest. It is surely in the self-interest of both Europe and the US that the Serbs be prevented from establishing a precedent. If they can redraw boundaries and remove whole peoples, why should the Hungarians not pursue their dreams of a greater Hungary? Why should Russia accept the rule of ethnic Russians by the non-Russians who govern its many neighbouring states? Letting the Serbs rampage over Bosnia is the least good of all the options.

# LETTERS TO THE EDITOR

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## Group 4 confident of courts service

*From Mr M J Hirst.*

Sir, I read with interest your leader "Prison Leaks" (April 21) which clearly outlines the complexities of the contract awarded to Group 4 to pioneer the first private court services operation of its kind in the world.

I would like to clarify, however, the escapes to which you refer in the first paragraph.

Over the 16 court sitting days that Group 4 has been providing the service there have been four court room escapes directly attributable to it, including one during which a custody officer was assaulted and the clerk of the court later commented: "The Group 4 officers acted in a proper manner and could not be faulted for the defendant escaping."

The vehicles from which there were two escapes have *been officially acknowledged* as being of faulty Home Office design brief and specification. Modifications have been made. In addition, a prisoner was released from Mansfield Magistrates Court as it was not made known at the time that he was required to appear in another court there to answer a different charge. The clerk to the court has written to Group 4 clarifying the procedural error and clearing the company of any blame.

A further incident was reported on April 10 regarding our staff's releasing a prisoner on theft charges. He was correctly released as be was hailed subject to regular appearances at the police station.

I am confident, however, that our systems and procedures, which are all agreed and monitored by the Home Office, are fundamentally sound and our staff are properly trained to do the job. If all agencies (police, courts and prison service) within the contract meet their requirements, we can *continue to improve* the service that we are providing.

M J Hirst,
*director of Group 4 Court Services,*
*Farncombe House,*
*Broadway, Worcs WR12 7LJ*

## A measure to undermine Acas

*From Mr John Sheldon.*

Sir, Anatole France, the French writer, observed that: "The law in its majestic equality, forbids the rich, as well as the poor, to sleep under bridges, to beg in the streets and to steal bread." Apparently, the present government believes this to be a sound principle and wishes to extend it.

Having already begun the process of denying people access to the courts by the curtailing of availability of legal aid, it seems ("Acas angry over plan to make users pay for services", April 21) that ministers now wish to restrict access to the services provided to workers by Acas, the arbitration and conciliation service, in the industrial area as well.

Not content with abolishing Acas's statutory duty to promote collective bargaining, this spiteful, penny-pinching measure will serve only to undermine the very existence of Acas - or is that what the government wants?

John Sheldon,
*general secretary,*
*National Union of Civil and Public Servants,*
*124-130 Southwark Street,*
*London SE1 0TU*

## Rail needs subsidy to compete

*From Prof Ronald Dore.*

Sir, Perhaps Mr Gill (Letters, April 20) does not leave his ivory car very often to travel by rail. Surely he knows that no railway can compete with road without subsidy from taxpayers - not even in Japan with its amazing population densities. The amount of subsidy/debt depends in part on political judgment of the externalities, of the social benefits a decent rail service provides, and not just on efficiency. If you want measures of the latter, how do British Rail and German Rail stack up on, say, passenger milea per worker bour, investment as a proportion of turnover, average vintage of rolling stock, proportion of trains on time?

Ronald Dore,
*Imperial Hotel,*
*Tokyo*

## City's latest tourist attraction

*From D K Patel.*

Sir, There are hardly any modern attractions for tourists in the City of London, so the new Attali Tower should be welcomed as such. With an entrance fee of £5, it could recover a bit of its cost.

D K Patel,
*12/F Borrett Mansion,*
*9A Bowen Road,*
*Hong Kong*

## Top pay awards reflect a system in need of change – and a rising workload

*From Mr Donald B Butcher.*

Sir, Your leader, Over-the-top pay" (April 20) is right to pin most of the blame on non-executive directors for over-the-top pay awards to directors. Despite many of your own leaders on the same theme over the past few years, criticisms from the prime minister, the Archbishop of Canterbury, governor of the Bank of England, director-general of the Institute of Directors, the Cadbury Report and now the Institute of Management, the gravy train continues.

Unfortunately, Lucy Kellaway ("Facts show fat cats are fatter", April 20) perpetuates the myth that questions from shareholders will cause "embarrassment" to such as the directors of Premier Consolidated Oilfields who have just managed a 50 per cent hike. It won't. If the recipients of the questions were thin-skinned anough to suffer embarrassment, they shouldn't be doing the jobs in any case.

You suggest the Cadbury Committee was right in arguing that the chief discipline must be openness. That is not working now and is unlikely to work in the foreseeable future. Answers at AGMs by the chairmen of remuneration committees will not change things either. Shareholders receive one standard answer to their questions - "we have to pay the *international market* price for our directors". Which is mostly nonsense because most of them have worked for their companies for years and just do not have an meaningful international market price.

Change could come when, and only when, directors' remuneration is made subject to resolutions at AGMs. If shareholders then vote for the pay award, everyone can stop complaining. It is even possible that responsible directors might actually welcome a change which would add legitimacy to their pay awards via explicit shareholder approval. Cadbury considered this but turned it down because bis committee couldn't work out what would happen if shareholders were so bold as to vote down such a resolution!

Donald B Butcher,
*United Kingdom Shareholders' Association,*
*12 Burgh Heath Road,*
*Epsom, Surrey KT17 4LJ*

*From Mr J R Anderson.*

Sir, Your suggestion that the institutions should take a more active role in questioning the increases in directors' salaries is praiseworthy but unlikely to be fruitful. The essential problem is the incestuous nature of the system. A sits on B's remuneration committee, B sits on C's, and C sits on A's is a simplified, but reasonably accurate, description of the way in which it works. And, of course, the boards of the institutions are themselves part of this game of "pass the parcel".

The rules of the club are well understood:

● All downwaves are the fault of government's mismanagement of the economy;

● Upwaves are, by contrast, solely attributable to the acumen of the directors;

● Any director who, by his incompetence, reduces a company to its knees is entitled to walk away from the disaster carrying a large bag of gold;

● Any shareholder querying the amount of an increase in remuneration must be told that it is essential if the director is not to take his talents overseas.

● The fact that during the long years of punitive taxation there was not the slightest evidence that overseas companies had any interest in securing the services of UK executives is to be dismissed as irrelevant.

J R Anderson,
*4 Vardon Drive,*
*Wilmslow, Cheshire SK9 2AQ*

*From Mr Colin Coulson-Thomas.*

Sir, Your editorial (April 20) suggests that directors' pay is "over the top", while Lucy Kellaway refers to "allegations of directors' greed". The evidence cited is a survey finding that directors' remuneration has increased during n period of recession.

As well as causing a widespread fall in profitability, the economic recession has subjected many directors and boards to considerable pressures. Directors have onerous duties and responsibilities, and when corporate survival is at stake these come to the fore. I know many directors who have faced greater challenges over the past three years than at any time in their directorial careers.

The tough choices thet result from a difficult trading environment invariably end up in the boardroom. I would expect the demands upon directors, and their workloads, to increase at a time of economic adversity, and I suspect the remuneration of many directors reflects this.

Colin Coulson-Thomas,
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FINANCIAL TIMES
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# Into Europe, backwards

MR JOHN MAJOR sounded more positive about Britain's role in Europe last night than he has at any time since he became prime minister. If memory serves, his speech to the Conservative Group for Europe had a more "European" tone to it than any address by a Conservative party leader since Mr Ted Heath left office in February 1974. It was better-written than his previous speeches, and peppered with ringing phrases and potential soundbites, such as "outside Europe Britain can survive; inside we will thrive", and "the nations must be free standing – a colonnade, not a set of bars".

Mr Major's immediate purpose is to regain authority over his party, while acknowledging that some of the anti-Maastricht rebels within it are irreconcilable. The speech marks the end of the committee stage of the bill to ratify the Maastricht treaty; there may be further parliamentary rough-and-tumble, but the back of the rebellion has been broken. Thus fortified, the prime minister spoke out against Europhobia more forcefully, and more effectively, than he has yet dared to do. Opponents of "Britain's full participation in the EC," he said, are moved "by frustration that we are no longer a world power." Pointedly he added: "We cannot afford to subject ourselves to the despotism of nostalgia."

Optimists will read this as a serious attempt to lead opinion within the country. The speech is not proof against close analysis, but then few such orations are. Its most useful purpose could be to set the beginnings of a new mood in which the everlasting domestic debate on European policy may be conducted. To that end, it may be read as a promising first step, following a long and bruising internecine struggle within the Tory party.

The test will come in the follow-up. Mr Major made no attempt to explain the British strategy for the kind of Europe be seeks to establish. It may have "12, soon 16 and eventually 20-plus" members, but if there is to be no reformed central machinery, how are these many nations to act in unison, particularly in the "many areas where the Community countries do need to work together"? Again, the prime minister made no mention of the exchange rate mechanism, let alone monetary union.

The latter omission is practical politics: the Conservatives could not endure a bid to rejoin the ERM before the next election, let alone a protracted debate on the merits of a single currency. A British government that aims to set the agenda for the 1996 intergovernmental conference on the further development of the European Union cannot, however, ignore such issues. They will be raised by France and Germany as soon as the Danes are home from their referendum. Mr Major has done well to announce that "Little England steps out", but he needs more than a good speechwriter if he is to convince Britain's partners that it is not marching backwards.

# Half a trade deal

THE PARTIAL agreement between the US and the European Community in their trade dispute over public procurement brings several benefits. It opens up important areas of public procurement; it limits the threatened US sanctions; it shows that business can be done with the Clinton administration; and it helps reopen the way for the Uruguay Round of multilateral trade negotiations. Nevertheless, it is far too early for euphoria. Further trouble is inevitable.

The deal has a number of attractive features. The EC has agreed to waive the discriminatory aspects of its new public procurement rules in the market for heavy electrical equipment, worth some $1bn a year; the US has agreed to remove restrictions on purchases by federal electrical utilities; tha administration will seek withdrawal of "Buy America" legislation from the governors of all 50 states; both sides have agreed to remove restrictions on bidding for supply of goods and services to central governments and they have also both agreed to undertake a joint study of trade barriers in public procurement.

More important, there is an agreement. It was beginning to look as though the Clinton administration would prefer nothing at all to anything short of unconditional EC surrender. Sir Leon Brittan, whose principal goal remains completion of the Uruguay Round, is entitled to feel relieved. A process has been started that might lead to this long-desired outcome.

Yet all is not sweetness. The EC has stated, for example, that telecommunications is too important not to be dealt with multilaterally. Mr Mickey Kantor, the US trade representative, feels obliged to impose sanctions in response. Provided they prove token, they should be ignored. Should they be substantial, however, counter-retaliation would be probable, perhaps desirable.

While the US is attacking Sir Leon's front, France is to his rear. In yesterday's discussions between Mr Edouard Balladur and tha German chancellor, Mr Helmut Kohl, the French prime minister made this clear, stressing how vital it was for Germany to appreciate the importance, for France, of the Gatt in general and agriculture in particular.

Given these pressures, Sir Leon – like Mr Kantor – may have to prove he is no push-over. If this is not to happen over telecommunications, it must at least occur where the EC has a strong case. One reason for tough action would be to show EC member states that he will defend what they perceive as their vital interests. Another would be to show the US that sauce for the goose is sauce for the gander. The great threat to the multilateral trading system is the US attempt to micro-manage every market bilaterally. If the Clinton administration proceeds ever further down this path, someone will hava to demonstrate the dangers by retaliating. Given the realities of power, that someone will have to be the EC.

# Funny business

POLITICIANS do not normally shy away from trumpeting apparent good news in the monthly economic statistics. This makes it surprising that Britain's Conservative government is reticent about celebrating two consecutive monthly falls in recorded unemployment. Their hesitancy is probably wise, given the misreading of the economic runes that the Treasury has demonstrated over the past two years. But there is also more to the unemployment figures, and the Department of Employment's caution, than meets the eye.

The government does not need to rely on the unemployment figures to make its case that recovery has begun. This year's pick-up in consumer demand and confidence has now fed through to output, with manufacturing production up 1.2 per cent in February over the previous month.

It is also not surprising that business is more optimistic. Exit from the European exchange rate mechanism has delivered an injection of lower interest rates to Britain's ailing economy. Sadly, the Bundesbank's continued slow monetary easing looks likely to deny continental Europe a similar remedy for many months yet.

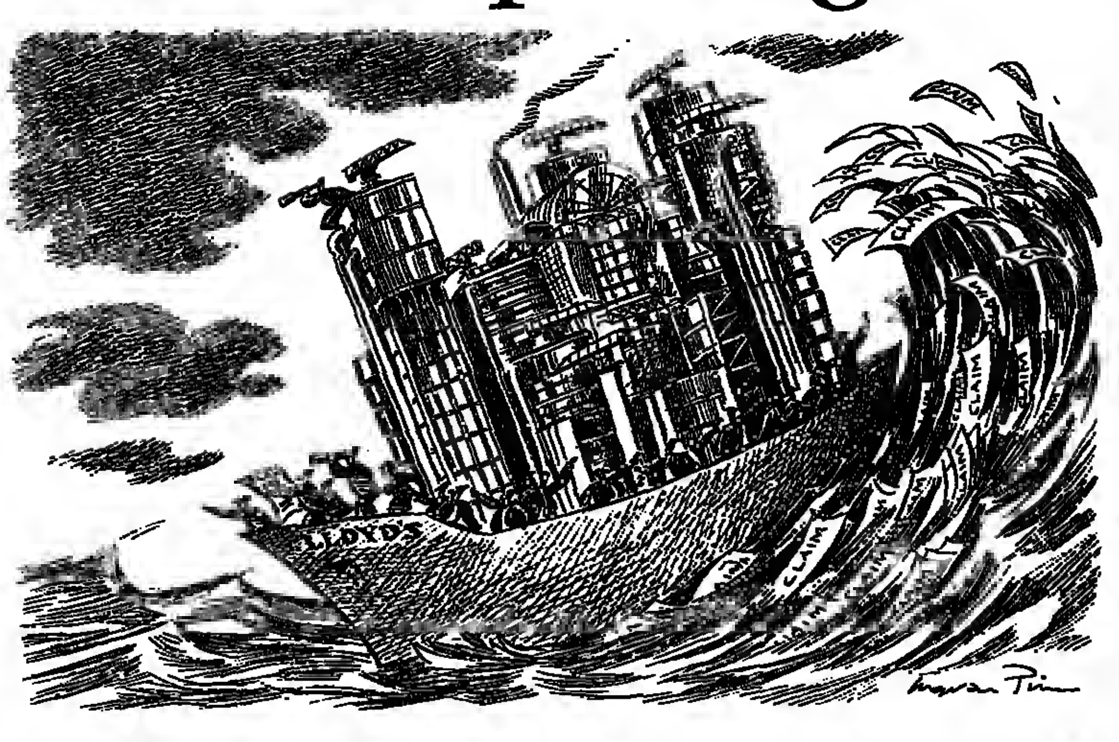
It would be a mistake to be too excited about the 51,500 fall in unemployment since January. Maybe employers are rehiring workers they mistakenly shed in a fit of gloom last autumn. Service sector employment did rise by 36,000 in the final quarter of last year, having fallen 225,000 in the previous quarter. Perhaps workers are accepting lower pay increases in order to preserve jobs. Average earnings have also fallen further, though not faster, than in previous recessions. More companies have also embraced profit-sharing arrangements, although largely to take advantage of tax breaks rather than achieve wage flexibility, as the FT reports today on the management page.

Yet the figures do not, on closer inspection, quite support the bullish case that some economists, even some "wise" ones, want to make. It is too early to tell whether this year's fall in unemployment has been accompanied by a surge in re-hiring. Manufacturing employment fell by a further 11,000 in February, only marginally less than in previous months, while average overtime hours and vacancies are flat and also lower than they would normally be when unemployment falls. The suspicion remains that the Department of Employment has become increasingly skilled at finding ways of moving the unemployed off the claimant count into training schemes or into sickness and disability, as it has been doing over the past six years.

For now, the fall in unemployment remains a puzzle. If falling unemployment over the next few months were matched by rising employment, and if wage inflation were to stay low as the recovery accelerates, then the government could celebrate. Until then, Mrs Gillian Shephard, the employment secretary, is right to bite her lip.

Lloyd's hopes its business plan will help it surmount a rising tide of problems, writes **Richard Lapper**

# Compass for a safer passage



The chief executive of Lloyd's of London had some stark words for his staff earlier this year. "No British institution has ever taken the losses that Lloyd's has and survived," he said, underlining the need for a 25 per cent cut in administration staff to ensure the future of the insurance market.

Mr Peter Middleton and Mr David Rowland, chairman of Lloyd's, are likely to strike a similar note of urgency next Thursday when they announce details of a radical new "business plan". The market's survival is dependent on the success of the plan because unless Lloyd's can reduce its costs, contain a rising tide of old asbestosis and pollution claims and negotiate a legal settlement with thousands of aggrieved loss-making Names, it could start to disintegrate.

Two issues have highlighted the need for radical action. First, the market's losses in 1990 – due to be announced in June under Lloyd's three-year accounting system – are expected to exceed 1989's record loss of £2.06bn. Second, the erosion of the market's capital base has accelerated. Some 2,000 Names left last year; many more will follow this year. "Many Names are hanging on by their fingar nails," says one members' agent.

A broad strategy outlining the route forward was agreed last year when the governing council accepted the recommendations of a task force led by Mr Rowland. Its groundbreaking proposals included modifying the principle of unlimited liability – whereby Names are liable for all insurance losses underwritten on their behalf – and the invitation to corporate investors to commit capital to the market.

Behind the report's recommendations lay the realisation by senior Lloyd's figures that the market was losing ground to competitors in Europe and North America – such as Zurich Insurance and the American International group – which have made inroads into specialised areas of commercial insurance and reinsurance once dominated by Lloyd's. The London market decided to respond by a swingeing cost-cutting and rationalisation programme which would produce fewer, but more efficient, bigger and better-capitalised businesses. Some progress has been made. In the past three years, for instance, the number of syndicates (which underwrite business) has fallen from 401 to about 230.

The business plan aims to develop the cost-cutting and consolidation strategy to restore profitability and attract fresh capital. Lloyd's insiders say in some senses it is a "pathfinder prospectus" – a document similar to that issued by a company seeking to raise cash.

However, the prescriptive nature of many of the proposals will mark a sharp break with the past, when Lloyd's governing council stood back from the management and direction of the market, confining its role to regulation and the provision of back-up services. "The council is effectively saying, 'You will do the following.' If you just wait for all the businesses in the market to do things you will travel as slowly as the last in the convoy. If one man keeps a quill pen the benefits of computerisation are lost," says Mr Robert Hiscox, deputy chairman. One result could be that syndicates could be compelled to adopt a common computer system.

In future, Lloyd's regulators, who are responsible to the council, are likely to be focus on a wider range of issues, in areas such as standards of professionalism and competence. Lloyd's has traditionally maintained a hands-off attitude to these matters but allegations of incompetence and negligence at some agencies and syndicates during the 1980s has prompted a sense of urgency about monitoring standards. Training is being emphasised, for instance.

In addition, Lloyd's will encourage the centralisation of a range of activities – from the way the affairs of Names are handled, to the processing of claims. Many activities are currently conducted at Lloyd's in a highly fragmented way. Earlier this year, Mr Middleton said Lloyd's had managed to make a very simple system "terribly complicated". He said that "a flow-chart of the claims payments system resembles a combination of the New York subway, the London Underground and the Paris Metro, with a map of the European railway network superimposed."

New systems allowing for speedier reporting of financial information are likely to be introduced, providing would-be investors with an accurate and up-to-date picture of the business. The cumbersome three-year accounting system could also be scrapped.

The need for change is broadly accepted among the bigger agencies which manage syndicates and handle the affairs of Names. "It is widely recognised that if we don't get it right this time, we won't get another chance," says Mr Edward Bloxham, chief executive of Cater Allen, which manages several syndicates.

Opposition could arise from some quarters, however. The existence of some smaller agencies could be threatened. In such cases the market's leaders will press acceptance of the "business plan" through a combination of persuasion and threat. Mr Middleton has promised to resign if the plan is not implemented. As one agent put it: "Middleton is our last shot. If be doesn't get a high level of support for the plan he walks. If be walks, we are dead."

The resolution of two sets of outstanding problems will dictate whether the plan succeeds or fails: the first comprises liabilities arising from US insurance policies; the second is the morass of litigation in which the market is mired.

American court awards in asbestosis and pollution cases are producing a steady flow of notifications of claims on insurance policies underwritten up to 50 years ago. Industry observers believe that unless these old liabilities are isolated or – to use the market's jargon – "ring fenced" – they will dissuade new investors from committing capital to Lloyd's, functioning effectively as a "poison pill".

Ms Julienne Jessup, of the insurance consultancy De Lisle Jessup Scott, says: "Lots of investors would be interested but they won't look at it as long as there is any doubt about their liability for the back years."

One way for Lloyd's to rid itself of "long-tail" liabilities would be to set up a reinsurance company, a proposal understood to be contained in the business plan. Several billion pounds of reserves set aside to meet future claims and held in Lloyd's "premium trust funds" could be channelled into the company to meet claims arising on pre-1982 policies.

While progress appears to be in train on the US front, the settlement of outstanding actions for compensation against agents is far from assured. The prospects of a speedy once-and-for-all settlement have been fading for some time. Mr Middleton hinted at the intractability of these problems last month when be said he simply did not have the power to "impose" a deal. Negotiations to achieve a settlement will continue, with the business plan likely to limit itself to outlining a possible way forward.

Mr Christopher Stockwell, chairman of the Lloyd's Names Associations Working Party – which links groups of loss-making Names – says new challenges could be afoot, with Names turning to European Community law or even attempting to allege "bad faith" by the market's regulators.

A serious question-mark thus hangs over the settlement of outstanding legal actions by Names, which, together with old US liabilities, poses the most serious threat to the business plan's success. In any event, Messrs Rowland and Middleton still have to sell their solutions to the market. If the market buys them, and they work, an uphill struggle remains. Although Lloyd's has taken steps to make up lost ground over the past two years, younger insurance companies around the world have taken the chance to snatch some of Lloyd's traditional specialised markets. For Lloyd's, survival is but the first step towards recapturing its former glory. But those days may be over forever, and it may have to learn to live with a lower profile and diminished status.

# One step forward deserves another

*PERSONAL VIEW*

In the last couple of weeks there have been signs of a re-emergence of industrial unrest in the UK: tha bitter Timex dispute, rail and bus strikes, threatening noises from the firemen and teachers, and a European "day of action" on April 2. There is no clear pattern to these disputes and we at the Confederation of British Industry see little prospect of a big increase in the number of industrial disputes across the country.

But there are dangerous hints – mainly in the public sector – of union claims for "catch-up" awards next year, to compensate for restraint in 1993. And, despite ministerial protestations to the contrary, the chancellor has not helped by reaffirming that this year's 1.5 per cent public-sector ceiling would not continue beyond the autumn, without describing any new approach. At the same time, the growing number of indicators suggesting that economic recovery is under way is encouraging a feeling that good times are just around the corner, and that we shall all be better off next year.

I believe this assumption, that after tightening our belts this year we can loosen them next, is wrong.

Certainly it is true that pay pressure continues to be weak. Pay settlements in manufacturing averaged 2.5 per cent in the three months to March, down from 4.4 per cent in the same period last year, and the lowest figure for at least 25 years. And since productivity has continued to rise rapidly, unit labour costs have fallen over the last year – a better performance than has been achieved by any of Britain's principal competitors.

Private-sector service settlements were down at 2.8 per cent on the same basis, and of course public sector pay settlements, which were generally higher than in the private sector last year, are capped at 1.5 per cent. Most public-sector unions are disposed to accept that they cannot hope to breach it without strikes for which their members seem unprepared (only senior management pay has failed to respond).

But let us not forget that headline inflation was only 1.9 per cent in the year to April. And the TPI (tax and price index) – a fashionable measure this year, though it will certainly not be in 1994 – has risen by only half a percentage point in the last 12 months. So most public servants will be getting a 1 per cent real increase in take-home pay, at the bottom of the longest recession since the second world war – a rather generous definition of national belt-tightening.

**The assumption that after tightening our belts this year we can loosen them next is wrong**

In fact, for those in work real incomes have not fallen at all in this recession. Between the third quarter of 1990 and the end of 1992 average real pay increased by 1.6 per cent. This is in contrast to what happened in the mid-1970s, and during the early 1980s recession, when real pay fell (by 3.9 per cent from end-1979 to mid-1981). The recent growth in retail spending, while the savings ratio has actually risen, shows real incomes have risen quite rapidly in the last 12 months.

The truth is that the pain of this recession has been borne most heavily, indeed quite disproportionately, by the 1.5m people who have joined the ranks of the unemployed, by those (sometimes the same people) under water on their mortgages, and by perhaps 2m to 3m people (mainly in manufacturing industries) whose pay has been frozen. Those were the companies most affected by the exchange rate mechanism squeeze.

So against that background, what should happen next year?

Undoubtedly inflation will rise somewhat, as a result of devaluation. But if Britain is to ensure that inflation falls back again quickly, and to lock in the competitive advantage that devaluation offers, there is no case for domestic pay rises to compensate for its effects on import prices. To secure sustained improvements in the UK's trade performance a continuing period in which unit labour costs do not rise is therefore needed. That would also help to begin to get unemployment down.

Tight control of pay will be harder next year, and harder than it need be if no management example is set. Disposable income will not have been inflated by sharp falls in the mortgage rate, and tax rises will begin to bite next April. But it will be as vital as ever to ensure that pay does not run ahead of productivity performance, and preferably some way behind.

It is time the government began to make that clear, rather than hinting at jam tomorrow. And the unions – if they want to make a useful contribution to the reduction of unemployment – could explain the realities to their members, rather than indulging in feel-good gestures such as the European day of action.

**Howard Davies**

*The author is director-general of the CBI.*

# OBSERVER

## Over-ride on economy

■ It seems Jacques Attali is not alone in his fondness for the good life. John Major's vision of a classless society and his determination to save taxpayers' money have fallen victim to an unseemly squabble over government perks among his ministers.

The row centres on that most precious of perks: the 24-hour-a-day ministerial car replete with chauffeur.

Taking the prime minister's vision to heart, the Department of Environment decided the government car service could save money by standardising the models. After all, each and every one of the 100 cars provided for ministers in the Commons and the Lords costs the taxpayer more than £50,000 a year to run.

No longer would junior ministers make do with workaday Montegos or Sierras while their cabinet superiors luxuriated in Rover Sterlings and Jaguars. Instead, all ranks would be assigned a middle-range Rover 800. The savings on leasing and servicing costs would run into tens of thousands.

Junior ministers were understandably thrilled at the idea of some extra leg-room. But Observer learns that a revolt by their seniors quashed the plan.

What horrified ministers around cabinet level was not just the thought of losing their leather upholstery. Even worse was the fear of being mistaken for mere parliamentary under-secretaries on those long and arduous journeys from their Whitehall offices to Westminster.

Sir Robin Butler, the cabinet secretary, was called on to defend their privileges. The idea was quietly dropped.

Naively, trade and industry ministers then came up with an even better idea.

Since the prime minister was committed to shrinking the size of tha public sector, the car service should be privatised. Hundreds of thousands if not millions of pounds would be saved by obliging all but the most senior members of the cabinet to swap their individually assigned vehicles and drivers for access to a central pool.

That was more than even the most junior minister could stomach. The idea has been filed in the bin.

## Hard of hearing

■ London Forum, the private-sector talking shop set up by GrandMet chairman Sir Allen Sheppard to promote London overseas, seems to have a bit of a communications problem.

More than two months after London's business leaders held their first meeting on a battleship moored opposite the Tower of London, it is still impossible to get

'Ian's converted to being a lapsed Catholic'

the telephone numbers of London Forum, and its little sister, London First, by ringing directory inquiries. It seems to confirm Observer's worst fears that the members of this odd outfit are more interested in talking than listening.

## Buba's boob?

■ Has the Bundesbank finally over-reached itself in its desire to spring surprises on the market?

Not content with wrong-footing many dealers by nudging interest rates down yesterday just when poor money supply numbers suggested the central bankers would once again stay their hands, the Buba communications people perpetrated what was either a notable cock-up – or else a distinctly dirty trick.

Initially handing out a press release confined to detailing the annual profits, several wire services assumed no change in interest rate policy and broadcast as much to the world, only to have to revise it five minutes later on the arrival of a second release.

## Verdant prose

■ Officials at the Japanese Finance Ministry seem to be catching a British disease – the premature spotting of green shoots. They also seem to have caught another irritating habit – the copious use of cliché. Well to the fore yesterday were "light at the end of the tunnel" and the economy "hitting bottom".

But the normally conservative ministry lapsed into more typically Japanese prose when it claimed that "butterbur buds are beginning to sprout from underneath the melted snow".

## All right Jacques

■ Hands up anyone who can name the boss of the European Investment Bank? Whatever one thinks about Jacques Attali's tenure at the top of the much smaller European Bank for Reconstruction and Development, he has certainly made sure that people have heard of him and his bank. If only the same could be said for the EIB.

Indeed, even if Attali's shareholders do eventually force him to walk the plank, he will have lasted in the job four times as long as Eugene Meyer, a former chairman of the Federal Reserve, and the first president of the World Bank – the EBRD's granddaddy. Meyer walked out of the door after only six months because he fell out with Emilio Collado, the headstrong US director.

If the EBRD's shareholders are thinking of changing presidents, there are plenty of faceless bureaucrats who would dearly love the job, but not many figures of substance prepared to put up with the bureaucratic infighting.

## Open question

■ Who better to give an object lesson in open government than Britain's Whitehall mandarins' trade union, officially known as the First Division Association? Delegates at its conference will be debating a resolution suggesting that civil servants ought to set an example for the rest of the populace by declaring whether they are freemasons.

## It grows on you

■ This year's Brighton Festival will feature a Moscow Opera production of Shostakovich's The Nose, sponsored by Pinocchio Pizzeria Ristorante.

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# UK hurdles remain for Maastricht approval

By David Owen and Philip Stephens in London

THE *finishing line is in sight for* the British parliament's lengthy consideration of the Maastricht treaty on European union. But yesterday's completion of a marathon committee stage in the House of Commons does not guarantee Mr John Major's Conservative government a problem-free run to ratification.

Four more hurdles have still to be cleared, starting with the Commons report stage which is likely to get underway early next month. Then will come the second Danish referendum on May 18, quickly followed – if the Danes vote Yes – by what should be a comparatively untroubled "third reading" debate. The government has promised that this will not happen until after the Danish result is known.

*After that, the bill moves to the* House of Lords where Euro-sceptic peers spearheaded by Lady Thatcher, the former prime minister, and Lord Tebbit will press the case for a Maastricht referendum, which the Commons early yesterday rejected by a majority of 239 votes.

The Commons would have the power if necessary to vote out any unwelcome amendments but this would require an additional debate that the government wants to avoid.

Finally, if the measure is still on course, there is an outside chance the government could trip *up in an eleventh-hour debate on* the treaty's social chapter, due to come after Maastricht has been made part of British law.

The critical question at next month's report stage is whether the opposition Labour party manages to engineer a vote on its amendment which would delete the protocol containing Britain's opt-out from the social chapter.

This could be important as it is the only mechanism yet devised which might force the government to choose between the social chapter and the treaty without requiring at least some Tory Euro-sceptics first to vote explicitly for the chapter.

The bill's passage through the Lords is arguably the least predictable obstacle still in the government's path. This is because *its rules of procedure leave anti-*Maastricht peers with virtually limitless scope to delay it.

For example, any proposal can theoretically be voted on at the request of just four peers. Hundreds of amendments are expected to be put forward, as they were in the Commons.

In practice, the flexibility of the Lords rules is rarely exploited to its limit. But with emotions running high and a passionate anti-Maastricht campaign in prospect, the government may have to bide its time for a month or two.

If all else fails, Tory Euro-sceptics could conceivably make a last-ditch effort to derail the treaty by voting explicitly for the social chapter – which they loathe – in a separate debate due to take place after the bill has received Royal Assent. If they did so, Mr Major could be forced to choose – as Labour hopes – between accepting the social chapter, from which he took such pains to negotiate a British opt-out, and tearing up the treaty.

Mr Major last night underlined his determination to keep Britain "at the heart of Europe". He told a Conservative party dinner: "Outside Europe Britain can survive; inside we will thrive".

Operating at the centre of the EC, the UK could press its case for a wider, free-trade, liberal community which would in turn render irrelevant the idea of a *centralised European superstate,* he said. "The idea of a centralised Europe had resonance in a Community of six. But for 12, soon 16 and eventually 20 plus nations it is a grandiose doodle". Mr Major said Britain had to take its "rightful place" in the world. "Though no longer a global power we still have global interests. We need to defend them with determination but also with subtlety. We cannot afford to subject ourselves to the despotism of nostalgia".

# Testing time for Clinton as stimulus is rejected

By George Graham in Washington

PRESIDENT Bill Clinton *declared himself disappointed but* not disheartened after being forced to abandon all but a fragment of the $16bn (£10.3bn) spending package he had called for to stimulate the economy.

However, Mr Clinton's first big legislative defeat is unlikely to prove devastating for his presidency; indeed, it is in some ways more of a rebuke to Senator Robert Byrd's management of the bill, which showed more parliamentary virtuosity than tact.

The point made by the Republican minority in the Senate, which prevented the stimulus bill *from coming to a vote* through what amounted to a filibuster, was about street credibility rather than economic policy. They wanted some respect, and their success does not necessarily mean they will be able, or willing, to block the rest of Mr Clinton's economic programme.

But the setback comes at a time when Mr Clinton appears to have lost much of his early momentum and is struggling to hit his stride.

He has not yet taken full control of the machinery of government – at least partly because of his slowness in making appointments – and now has been unable to shake off the largely unfair charge that he has been ineffectual in quandaries as different as the Waco siege or the civil war in Bosnia-Hercegovina.

The president faces a testing time over the next few months when Congress wrestles first with the details of his five-year economic package, and then with the reform of the healthcare system now being prepared.

While Congress has already passed a budget resolution fixing the totals for spending and taxation, the door is opening wider for changes to the detailed measures Mr Clinton has proposed.

Congressman Dan Rostenkowski, who as chairman of the House ways and means committee presides over all tax legislation, this week advised Mr Clinton to drop a proposed investment tax credit, which many members of Congress have *criticised as merely bringing* forward investments that were going to take place in any case.

Mr Lloyd Bentsen, Treasury secretary, has admitted he has a "hunch" that Congress will alter the new energy tax, which is one of the pillars of the administration's revenue-raising proposals.

Many Democrats in the House of Representatives had at first been willing to take Mr Clinton at his word and pass his proposals as a whole, swallowing concerns over particular components. That willingness is fast evaporating as members observe that the Senate is not showing the same discipline.

Mr Clinton first gave in to western senators and backed away from increased fees for grazing and mining on federal land. Now he must abandon most of his stimulus bill.

"I don't see how the president at this point can say no to compromise when he is doing that over on the Senate side in the stimulus package," Mr Rostenkowski said.

## THE LEX COLUMN

# A miraculous recovery

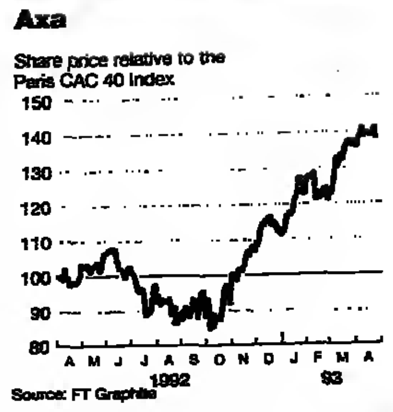
The government *has found so many* ways of 'adjusting' the unemployment figures that it is hard not to feel cynical about recent falls. All the more so because the proffered explanations are so intangible. Still, it is not totally implausible that improvements in the supply side of the labour market have made it more responsive to changing economic conditions. Companies may be faster to sack people, but they may *also be less frightened to hire them* back – particularly in areas such as housebuilding which have seen a strong upturn this year. If that is true, then unemployment is less of a lagging indicator than it was in the past. Support for the idea of a more flexible market comes from the average earnings and unit wage figures which are down to a level more normally associated with a successful low inflation economy.

Since the appalling December jobs data gave rise to the base rate cut in January, it is reasonable to assume that further cuts have now been postponed. That may cause short gilts to give up some ground, though longer maturities can take comfort from the relatively benign inflation outlook. Confirmation from the Bundesbank that the situation in Germany continues to worsen will also help sterling. Even if the pound approaches *DM2.70* as German rates fall, it will still be well below the level of a year ago. The chancellor may actually welcome this, given the extent of monetary easing since Black Wednesday.

What remains unclear is the political response to the worsening of official figures which surely lies ahead. The recent data have been so strong that there is bound to be some disappointment during the summer.

FT-SE Index: 2881.1 (+11.5)

**Axa**




Source: FT Graphite

### European car market

It hardly needed Mercedes-Benz and Peugeot to tell us that life is hard in the European car business. One of the most marked characteristics of the current downturn has been the way in which manufacturers have consistently underestimated the size of the problem. The market may be heading for a 15 per cent fall this year, while carmakers cling to thoughts of a 10 per cent decline. That is particularly unfortunate given existing overcapacity and the Japanese transplants and eastern European production which will soon be on stream. Volkswagen and Mercedes say they are getting a grip on the threat posed by their high costs. But it is unlikely that they can slim fast enough to avoid horrifying operating losses for some time.

The current downturn is also unusual because, with the exception of the UK, all of the EC's major markets are in decline simultaneously. Perhaps carmakers are the first victims of the single market and ERM convergence? Certainly European manufacturers are unused to the kind of volatility in demand which is commonplace in the US.

*A widespread downturn also high*lights the regional constraints of the European industry. The strength of Far Eastern markets and recovery in the US are only of marginal benefit to European companies. With the possible exception of Volkswagen, the EC lacks competitors with the global reach of Ford, GM and Toyota.

### Axa

One might wonder whether Axa increased its dividend yesterday to rub salt into the wounds of its state-owned competitors. Its share of pain from the Paris property slump is less than that of UAP and AGF, both of which cut their pay-outs this week. While all three have had to content themselves with lower profits from asset sales than usual, UAP and AGF are also the proud owners of banks with a predilection for property lending. In contrast, Axa's investment in Equitable Life is a reason to be cheerful.

The US company's share price has more than doubled since Axa bought *its stake last year. The additional* $400m injected this week should help Equitable's profits recovery by bringing its capital strength into line with its competitors. That will help win new business. The US life assurance market should anyway improve in line with the economy. The worry is that more capital could yet be required. If the likes of Aegon pump extra cash into their US life operations, Axa will have to choose between following suit and losing market share.

While its own shares are rising, though, Axa can afford to take a relaxed view. February's convertible bond to finance investment in Equitable Life barely interrupted *the upward* march of the shares. The good performance in French motor and property insurance evident from yesterday's figures suggests that adventures abroad have not led to neglect of the domestic business. The French government might wish Axa, rather than UAP, was on the privatisation list.

### Albert Fisher

Mr Stephen Walls wants to develop Albert Fisher into a reliable high-margin business. But he must wish he was not starting from here. Following a frenetic acquisition spree in the 1980s, his predecessor bequeathed a company with a disparate array of commodity food businesses which have an unhappy vulnerability to natural phenomena. Yesterday's 19 per cent slide in interim profits only highlights the scale of the challenge: no matter how well Mr Walls performs, problems such as apple gluts and storm-affected cockle beds may have a greater influence on Albert Fisher's immediate fate.

Shorn of the benefits of acquisition accounting, the company will try to produce smooth earnings progress by squeezing more juice from existing assets and shifting its focus towards higher value-added sectors. This is a prudent strategy but it will doubtless prove prolonged. In the short term, the task will be hempered by the adverse impact of sterling's devaluation on margins *and its big exposure* to the UK's strong and price-conscious supermarkets. But Albert Fisher should reap some recovery gains as it attempts to lift its 4 per cent operating margins back to their historical peak of 7 per cent. The acquisition of Hunter Saphir will help.

While waiting, shareholders can comfort themselves with Albert Fisher's sound balance sheet and strong *dividend yield. But the company will* face a stiff challenge trying to persuade the market to attach a more serious rating to its inherently volatile earnings stream.

# Balladur meets Kohl in Bonn to present face of unity

By Quentin Peel in Bonn

MR Edouard Balladur, the French prime minister, visited Bonn yesterday studiously refusing to request any gestures of solidarity from his colleague, Chancellor Helmut Kohl, above all in the minefield of monetary policy.

In the event, he still left with a small present from Frankfurt – a quarter percentage point cut in the Bundesbank's discount rate – and many warm words from the chancellor to help his honeymoon in office.

Even on the Gatt trade liberalisation talks, where positions between the two leading European *partners are furthest apart,* there was not a word of direct criticism from Mr Kohl over the new French government's refusal to accept the compromise agreed between the EC and US on easing agricultural protection.

Mr Balladur also won tacit support – according to French officials – for his idea for a new European security conference to underpin the ending of the Cold War, and for his successful start to the process of cohabitation with President François Mitterrand.

Neither Mr Balladur nor Mr Kohl was informed of the Bundesbank's move before the talks ended, thus deliberately stressing the independence of the German central bank from the Franco-German negotiating process.

The French prime minister was told of the decision on the German rate cut as he left the chancellor's office in his official car.

The French premier yesterday said both sides had agreed to seek to develop joint policies and joint initiatives, in the economic and monetary fields, "to ensure currency stability". He gave no hint of the content.

There was certainly no sign of the "political initiative on monetary co-operation" mooted in Paris before the recent elections.

A senior French official said later there was no initiative because there was no need for one: "It is working out well," he said, "even better than three weeks ago." As for monetary co-operation, it was already the firmest element in the entire European Monetary System.

Both leaders were at pains to emphasise the importance they accord to the Franco-German alliance, and to discount any suggestion that a new government in Paris might cause an upset in their co-operation.

*Mr Kohl described it as* "the most valuable experience" for both countries in the second half of the 20th century.

For his part, Mr Balladur stressed that his very first trip from Paris as prime minister was quite naturally to Bonn.

The two met for a lunch in Bonn last December for what officials agree was a crucial session of getting to know each other better, on the assumption that Mr Balladur would become prime minister.

# Sweden makes sharp cuts in spending as outlook worsens

By Christopher Brown-Humes in Stockholm

SWEDEN'S centre-right minority government yesterday announced further deep spending cuts and new measures to tackle unemployment, warning that the short-term outlook for the economy was worse than previously forecast.

It also warned in its supplementary budget proposal that the budget deficit, among the highest in western Europe, would be SKr191.2bn ($25.6bn) for the financial year starting July 1. This is 12.9 per cent of gross national product and nearly SKr30bn more than indicated three months ago when the government made its initial budget proposals.

The spending cuts announced yesterday are in line with indications given in the broad outline of the budget in January.

Government forecasts now point to a 1.7 per cent fall in GNP this year, compared with the 1.4 per cent drop predicted in January. Next year, it predicts growth of 1.2 per cent, compared with its earlier 1.6 per cent forecast. The government said the main reason for the adjustment was the sharp slowdown in the German economy.

The forecasts came as the Swedish finance minister, Ms Anne Wibble, outlined SKr81bn in savings for the years 1994-1998 as part of a strategy to eliminate Sweden's structural budget deficit. Most of the savings will come from limiting public consumption, cutting benefits and reform of the pensions system.

The government has now outlined savings amounting to SKr160m since it came to power in September 1991 to help tackle a financial crisis caused by rising unemployment, falling tax revenues, and the cost of bailing out its stricken banking system.

The state's borrowing requirement is put at SKr233.9bn in the current budget year, rising to SKr255.3bn next year. Interest on government debt will rise to SKr95bn next year from SKr73.0bn in 1992-93.

Measures to tackle unemployment were highlighted yesterday, with a plan to provide work experience and training to a further 130,000-140,000 people. The aim is to cut official unemployment (excluding those on training schemes) from 7.5 per cent to 7 per cent.

# BNL Atlanta loans to Iran

Continued from Page 1

sales to Iran. These were unrelated to the Atlanta loans and were financed from Italy during the 1980s.

Mr Felice Casson, the prosecuting magistrate, has also alleged that Italian intelligence agents were involved in the BNL-funded arms transactions.

Mr Nesi and Mr Pedde have entered pleas of not guilty in the Venice trial, which has been under way for several weeks.

A team of US prosecutors from Atlanta is planning to travel to Rome next month in order to question several BNL executives, the first time that Atlanta investigators have gone to Rome.

# Corruption charges threaten Yeltsin

Continued from Page 1

mation Service, has been involved in the sale of Soviet army property in the former East Berlin.

The prosecutor-general's office said that Mr Gennady Burbulis, the former first deputy prime minister and long-time confidant of Mr Yeltsin – also named by Gen Rutskoi – together with other senior officials, would be interrogated in a seperate corruption case.

The key passage in the statement says: "The prosecutor-general's office, investigating illegal deals involving the property of the Western Group of Forces, discovered new facts of abuse of official position by the commanders of the group, of the defence ministry and personally by defence minister Pavel Grachev".

Gen Grachev was made defence minister over more senior general officers after he sided with Mr Yeltsin during the August putsch in 1991.

## World Weather

| | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F | | | °C | °F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Ajaccio | S | 16 | 61 | Boulogne | C | 10 | 50 | Frankfurt | S | 22 | 72 | Majorca | F | 18 | 64 | Oporto | C | 14 | 57 | Tenerife | S | 21 | 70 |
| Algiers | C | 17 | 63 | Brussels | F | 17 | 63 | Geneva | F | 20 | 68 | Malaga | S | 23 | 72 | Oslo | F | 12 | 54 | Tokyo | R | 19 | 66 |
| Amsterdam | F | 18 | 61 | Budapest | S | 20 | 68 | Gibraltar | S | 20 | 68 | Malta | F | 16 | 61 | Paris | F | 14 | 57 | Toronto † | S | 1 | 34 |
| Athens | S | 22 | 72 | Buenos Aires | F | 19 | 66 | Glasgow | R | 11 | 52 | Manila | S | 35 | 95 | Prague | S | 23 | 73 | Tunis | S | 21 | 70 |
| Bahrain | S | 33 | 82 | Cairo | S | 26 | 79 | Helsinki | S | 8 | 46 | Melbourne | S | 8 | 46 | Reykjavik | R | 4 | 39 | Valencia | S | 21 | 70 |
| Bangkok | R | 31 | 88 | Cape Town | S | 22 | 72 | Hong Kong | S | 27 | 81 | Mexico City | R | 22 | 72 | Rhodes | F | 22 | 71 | Venice | S | 19 | 66 |
| Barcelona | C | 16 | 61 | Caracas | S | 32 | 90 | Innsbruck | S | 21 | 70 | Miami † | C | 18 | 64 | Rio de Janeiro | C | 30 | 86 | Vienna | S | 20 | 68 |
| Beijing | C | 22 | 72 | Casablanca † | S | 16 | 64 | Inverness | S | 13 | 55 | Milan | S | 21 | 70 | Rome | S | 18 | 64 | Warsaw | F | 16 | 61 |
| Beirut | S | 19 | 66 | Chicago † | S | 3 | 37 | Islamabad | S | 32 | 90 | Montreal † | Sn | 1 | 34 | Salzburg | S | 23 | 73 | Washington † | Dr | 4 | 39 |
| Belfast | C | 12 | 54 | Cologne | F | 22 | 72 | Istanbul | S | 17 | 63 | Moscow | S | 17 | 63 | S'Francisco † | C | 12 | 54 | Zurich | S | 23 | 73 |
| Belgrade | S | 24 | 75 | Copenhagen | S | 16 | 61 | Jakarta | S | 33 | 91 | Munich | S | 23 | 72 | Seoul | C | 20 | 68 | Temperatures at midday yesterday | | | |
| Berlin | S | 22 | 72 | Corfu | S | 19 | 66 | Johannesburg | S | 24 | 75 | Nairobi | S | 24 | 73 | Singapore | F | 31 | 88 | † Noon GMT temperatures | | | |
| Bermuda | F | 21 | 70 | Dallas † | S | 8 | 46 | Lisbon | S | 18 | 64 | Naples | C | 16 | 61 | Stockholm | F | 11 | 52 | C-Cloudy Dr-Drizzle | | | |
| Bombay | S | 31 | 88 | Dublin | C | 13 | 55 | London | C | 13 | 55 | Nassau | C | 27 | 80 | Strasbourg | S | 23 | 73 | F-Fair Fg-Fog H-Hail | | | |
| Bordeaux | C | 14 | 57 | Dubrovnik | S | 20 | 68 | Los Angeles † | C | 16 | 61 | New Delhi | S | 38 | 100 | Sydney | F | 22 | 72 | R-Rain S-Sunny | | | |
| | | | | Edinburgh | C | 12 | 54 | Luxembourg | S | 13 | 55 | New York † | R | 12 | 54 | Taipei | F | 30 | 86 | Sl-Sleet Sn-Snow | | | |
| | | | | Faro | S | 18 | 64 | Madeira | S | 17 | 63 | Nice | S | 17 | 63 | Tangier | F | 18 | 64 | T-Thunder | | | |
| | | | | Florence | S | 18 | 64 | Madrid | F | 18 | 61 | Nicosia | S | 21 | 70 | Tel Aviv | S | 23 | 73 | | | | |

FINANCIAL TIMES
# COMPANIES & MARKETS
Friday April 23 1993







## INSIDE

### Trelleborg shares fall as investors worry

Shares in Trelleborg, the Swedish mining and industrial group, fell sharply yesterday for the second day in succession as investors reacted to reports, strongly denied by the company, that it was facing acute financial difficulties. Page 18

### MEA aims for a successful future

Lebanon's Middle East Airlines, once a successful carrier, has over the past 15 years often been associated with hijackings and terrorism. Now, with hostilities over, MEA is looking to regain some of its former status. Page 20

### Farmers hit by tobacco price fall

Zimbabwean farmers have been stunned by depressed prices on the Harare auction floors. No one expected so dramatic a decline. "We are shell-shocked," said an industry official. Zimbabwean monetary policy, global recession, higher taxes on smoking, cigarette price wars in the US and EC and the increased availability of some grades, are responsible. Watching gloomily from the sidelines are the banks. Page 34

### Austin Reed, Liberty in changes

Two family-run UK retail groups with non-voting share structures announced steps towards opening up their companies. Austin Reed, the upmarket UK clothing retailer and manufacturer, will ask holders of voting shares to enfranchise non-voting shares at its June annual meeting. Meanwhile, Liberty of Regent Street, central London, appointed a new chief executive, splitting the roles of chairman and chief executive. Page 23; People, Page 11

### Thrills in the Irish SE


The Irish stock market has had all the thrills of a ride on a funfair roller-coaster over the past six months, and all the unpredictability of Irish weather. The cries of alarm last autumn, as the market plunged to a four-year low, have been replaced by squeals of delight and forecasts of better to come as the ISEQ overall index climbed rapidly to a three-year high. It has gained 30 per cent since the end of December, half of that in March. Back Page

### Market Statistics



### Companies in this issue



### Chief price changes yesterday

| FRANKFURT (DM) | | | | PARIS (FFr) | | | |
|---|---|---|---|---|---|---|---|
| Rises | | | | Rises | | | |
| Bauknecht | 375 | + | 7 | Air Liquide | 772 | + | 21 |
| Daimler Benz | 575 | + | 8 | Bouygues | 675 | + | 21 |
| Volkswagen Prf | 281.5 | + | 4.5 | Damart | 145 | + | 9.4 |
| Falls | | | | Euro RSCG | 488 | + | 24 |
| Berliner Bank | 278.5 | - | 4.8 | Roussel-Uclaf | 526 | + | 16 |
| Colonia Konz Pf | 590 | - | 9 | Falls | | | |
| Schmalbach Lub | 329.5 | - | 7.3 | BSF | 532 | - | 83 |
| NEW YORK ($) | | | | TOKYO (Yen) | | | |
| Rises | | | | Rises | | | |
| Caterpillar | 68⅞ | + | 4⅜ | Brother Ind | 504 | + | 19 |
| Dow Chemical | 56 | + | 3⅜ | Nissan Diesel | 487 | + | 27 |
| MCI Comms | 48⅞ | + | 1⅜ | Toda Kogyo | 794 | + | 78 |
| Falls | | | | Falls | | | |
| Cons Rail | 52⅛ | - | 4⅜ | Akebono Brake | 570 | - | 28 |
| Delta | 58⅛ | - | 1 | Koito Mfg | 890 | - | 51 |
| USAir | 22⅞ | - | 1⅛ | Takasago Tekko | 332 | - | 38 |

New York prices at 12.30.

| LONDON (Pence) | | | | | | | |
|---|---|---|---|---|---|---|---|
| Rises | | | | Travis Perkins | 393 | + | 12 |
| AMEC | 93 | + | 8 | Unigroup | 35 | + | 5 |
| Atmos | 89 | + | 8 | Vibroplant | 60 | + | 6 |
| Amber Day | 95 | + | 6 | Waco | 117 | + | 7 |
| Austin Reed A | 132 | + | 25 | Whitegate Fdgs | 250 | + | 15 |
| BM Group | 17½ | + | 3½ | Wood (JD) | 63 | + | 10 |
| Gresham Tele | 180 | + | 13 | Yorklyde | 408 | + | 25 |
| Jerome (S) | 58 | + | 4 | Falls | | | |
| Liberty NV | 358 | + | 48 | Heath (CE) | 313 | - | 12 |
| RMC Group | 84 | + | 9 | Huntleigh Tech | 1100 | - | 58 |
| Sanderson E | 308 | + | 25 | Low (Wm) | 208 | - | 17 |
| Seafield | 20½ | + | 4½ | Proteus Intl | 421 | - | 13 |
| TDS Circuits | 19 | + | 4½ | | | | |
| Topnot Dsgn | 245 | + | 18 | | | | |

# Salomon Bros pulls parent to $65m loss

By Patrick Harverson in New York

SALOMON, the Wall Street securities house and energy trading group, yesterday announced a pre-charge net loss of $65m for the first quarter after its Salomon Brothers brokerage subsidiary fell into the red because of short-term losses on its proprietary trading activities.

The total net loss for the group, however, came in at $102m because Salomon took a $37m charge to cover the impact of changes in the accounting of post-retirement benefits. In the same quarter a year ago the group earned net income of $190m.

The news did not come as a surprise because Salomon warned in early March it had incurred a large loss on its trading business during the first two months of the year. The size of the shortfall at Salomon Brothers, however, was smaller than expected.

In March Salomon said that between January and February it had lost $250m (pre-tax) at its securities brokerage operation.

However, yesterday, the firm said its loss for the whole quarter was only $89m, and that included a $25m charge to cover legal costs relating to the 1991 Treasury auction scandal.

The company would not comment on the specific numbers, but it appears there was a significant positive swing in Salomon Brothers' trading positions during March.

Large fluctuations in Salomon's quarterly earnings are not unusual, as the company explained yesterday: "Proprietary strategies frequently have long-term time horizons, in some cases extending over several years. Because proprietary trading positions are marked to market, fluctuations in the value of these positions are reflected in quarterly earnings, so that earnings volatility and occasional losses are to be expected."

Helping to offset its trading losses, Salomon's investment banking and commissions revenues were both strong in the quarter, reflecting heavy demand for the firm's underwriting and client brokerage services.

Salomon's two other lines of business, the Phibro Energy division, which trades energy-related and other commodities, and Phibro Energy USA, the oil refining operation, are also prone to some earnings volatility.

*In the latest quarter,* Phibro Energy bounced back from its loss a year ago to post a pre-tax profit of $8m, while Phibro Energy USA remained in the red, reporting a loss of $13m amid continued weakness in oil refining margins.

# Axa falls 35% but is confident on The Equitable

By David Buchan in Paris

AXA, the French insurance company, yesterday announced a 35 per cent fall in group profits for the year and expressed confidence about the future profitability of its investment in The Equitable of the US.

Mr Claude Bébéar, Axa's president, said the chief reason for the Axa group's 35 per cent fall in profit from FFr2.38bn ($430m) to FFr1.54bn last year was the drop in capital gains from asset sales, due to poor market conditions.

Axa has set a net dividend of FFr23, up from FFr22.

*Mr Bébéar said the group had* some FFr16bn cash in hand.

This might be spent on new acquisitions, he said, but not necessarily in buying into the three big French state-owned insurers which are on the newly-elected Balladur government's privatisation list.

He indicated that Axa's gaze was more international, either towards a Mexico soon to be integrated into the North American market or in south-east Asia where "the entry ticket is cheap" for a market which in a decade or two could be the world's biggest.

Axa's French rivals have snapped up most takeover candidates in Germany, and therefore Axa is now contemplating selling non-life insurance to Germans directly from France.

Mr Bébéar predicted that after last year in which the US insurance company produced a FFr77m loss for Axa, "the evolution of Equitable will be positive" this year with the cutting of costs and development of new products.

But he refrained from forecasting when The Equitable, which is America's fourth-largest life insurer and makes Axa the world's fourth-biggest fund manager, would be back in profit.

Axa made a $1bn investment in The Equitable, which bought it a 49 per cent stake in the US insurer when The Equitable demutualised last year.

This week Axa maintained its stake in The Equitable by buying 49 per cent of an $800m convertible bond issue by the US group. The purchase was made out of the proceeds of Axa's own FFr3.65bn convertible bond issue in February.

Lex, Page 16

# Peugeot down 39% and sees more falls in European sales

By David Buchan in Paris

PSA PEUGEOT-CITROEN, the French car group, yesterday reported a 39 per cent fall in profits to FFr3.37bn ($620m) last year, down from FFr5.5bn the year before.

Mr Jacques Calvet, the group president, said the prospects for European sales this year were "detestable", with a likely overall drop of at least 10 per cent from last year's sales.

The first quarter had shown a 17 per cent decline, and April seemed no better, he said.

Weaker demand had led to a 3 per cent decline in Peugeot's sales to 2m cars, producing a turnover figure of FFr155.4bn and squeezed operating margins.

But the Peugeot group had held on to its position of number three in the European market, behind Volkswagen and General Motors.

Mr Calvet says it remains one of the most profitable carmakers.

But competitive conditions on the European market would worsen further this year, Mr Calvet forecast, due to over-capacity among producers, the drop in demand and "the successive surrenders" to Japan by the European Commission. Japanese carmakers were not abiding by the terms of their 1991 "pseudo-accord" with Brussels to share with their European competitors the burden of any fall in the EC market, said Mr Calvet.

He congratulated the new-elected French government for taking up this matter in Brussels.

Peugeot's results had not suffered from the franc's effective appreciation by 8 to 9 per cent against other European currencies since last summer, because it had always hedged its currency risks, Mr Calvet said.

But he called on European car makers "to compensate speedily" for devaluations in the UK, Italy and Spain "by significant price increases in these three countries" to maintain their profit margins.

Reflecting the reduction in its cashflow from FFr15.5bn in 1991 to FFr13.7bn last year, the Peugeot group scaled down its investment by roughly the same amount, as well as shedding another 6,000 workers.

Reducing its payout for the second successive year, Peugeot yesterday announced a dividend of FFr10, down from the FFr13 last time.

# Mercedes turnover slides 24%

By Christopher Parkes in Stuttgart

MERCEDES-BENZ, mainstay of Germany's Daimler-Benz group, hopes to stop the profits rot this year in spite of a 24 per cent slump in turnover and unspecified operating losses in the first quarter.

While Daimler's group net earnings are expected to slump by 30 per cent to around DM1bn ($600m), Mercedes should show a result "similar" to last year's DM849m, Mr Helmut Werner, incoming chief executive, said yesterday.

This implies that the group's non-automotive businesses, including Deutsche Aerospace, AEG engineering and the Debis software and financial services division, will contribute a mere 15 per cent of total earnings, against 42 per cent last time.

In conditions one executive described as "ploughing through fog", Mr Werner Niefer, retiring chief executive, said attempts to prepare forecasts were blighted by "many imponderables".

The company had high hopes of its new compact C-class range, a replacement for the 10-year-old 190 series, the company's smaller executive car, which will be launched in June, but he did not expect any marked improvement in markets for cars, buses or trucks before the end of this year.

The so-called C-class was expected to start having a positive effect on operating results by next year, when, according to one manager, the company hoped to snatch back market leadership from BMW. Last year Mercedes was overtaken in unit sales by its Bavarian rival for the first time.

Mercedes expects to build 200,000 of the new model in 1994, compared with output of 130,000 compact cars in 1992.

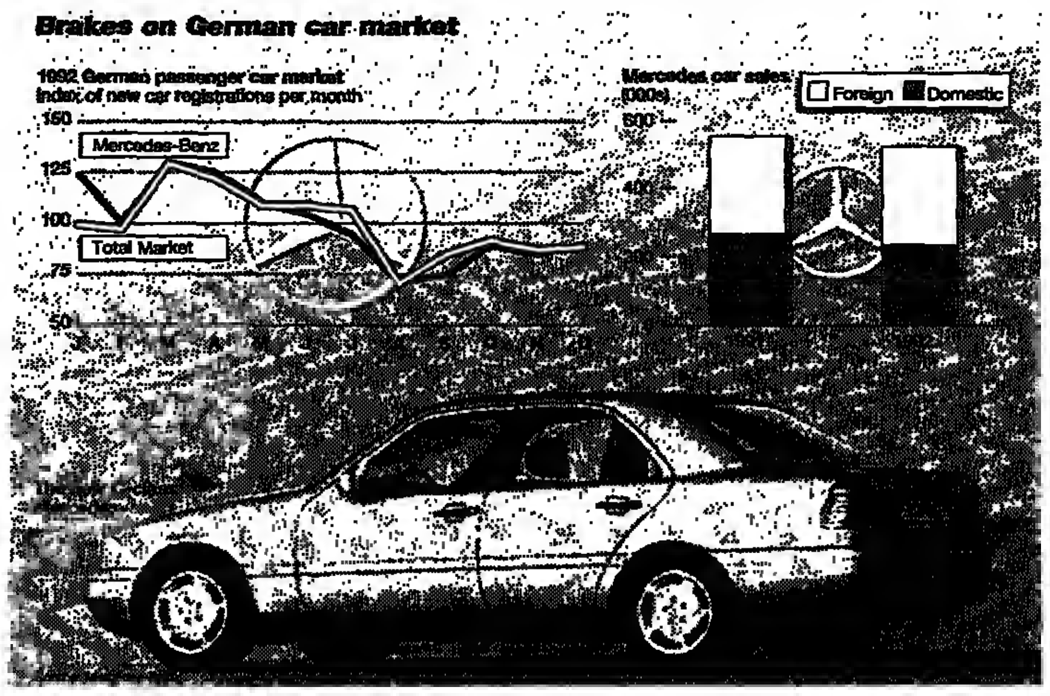
This year, however, Mr Niefer said he expected total car output unchanged from last year's 486,000 while commercial vehicles would fall slightly from the 1992's 260,000.

In the 1993 first quarter, turnover from cars had fallen 30 per cent, while unit sales had dropped 32 per cent. Sales revenue from commercial vehicles was 16 per cent lower on unit deliveries down 20 per cent.

As part of continuing economy measures, at least a further 7,000 German jobs will be lost this year, after a cut of 14,700 in 1992. Some DM500m had been set aside in provisions for personnel measures.

**Christopher Parkes** reports on changes aimed at overtaking Japan

# Compact car with designs on success




LONGER by a matchstick's length than its executive predecessor, and replete with two dozen new features as standard, the marketing motto for the Mercedes-Benz compact C-class is that it offers customers more car for their money.

According to Mr Klaus-Dieter Vöhringer, director in charge of passenger car production, buyers will get up to 20 per cent more value at prices basically unchanged from those of the outgoing 190 series.

Technically and cosmetically refined, the C-class is the fruit of manufacturing and management innovations with which Mercedes hopes to transform its prospects in the global quality car market.

It is the first practical example of the group's new pricing policy. The range embodies a principle new to Mercedes which states that before any work starts a new product will be priced according to what the market will bear and what the company considers an acceptable profit. Then each component and manufacturing process will be costed to ensure the final product is delivered at the target price.

Under the old system of building the car, adding up the costs and then fixing a price, the C-class would have been between 15 per cent and 20 per cent dearer than the 10-year-old outgoing 190 series, Mr Vöhringer said.

Explaining the practical workings of the new system, he explained that project groups for each component and construction process were instructed without exception to increase productivity by between 15 and 25 per cent. And they had to reach their targets in record time.

*One result was that* development time on the new models was cut to 40 months, about a third less than usual. But the most important effect, according to Mr Vöhringer, has been to reduce the company's cost disadvantages vis-a-vis Japanese competitors in this class from 35 per cent to only 15 per cent.

The time taken to build a car has been cut from 45 man-hours to around 35. Collaboration with outside suppliers has resulted in Mercedes making less of its own parts and also speeding up assembly. Complete electrical wiring harnesses, for example, are now supplied from outside on a just-in-time basis, ready to be inserted in one process into the bodies. Door interiors are also shipped complete for one-step installation. Where Mercedes used to produce 48 per cent of parts, it now makes around 42 per cent.

Dashboards and controls, built in a separate assembly shop, are also installed in one action instead of being bolted and screwed together piecemeal on an assembly line comprising rolling platforms in place of a conveyor system. Body assembly is robotised; side panels come in one piece rather than five parts.

*Quality* controllers have been moved from the end of the production line, where jams built up. They now work as members of each assembly team.

Group work has been introduced at every level of the Mercedes product cycle and six management layers have been thinned to four. According to Mr Vöhringer, this improved efficiency and collaboration with suppliers have each contributed 50 per cent of cost efficiencies.

The main task is to launch a new and still relatively costly car into crowded and depressed international markets. In Germany, which routinely absorbs almost half Mercedes' compact class output, total industry sales are expected to fall 20 per cent this year. Yet the company is committed to producing 100,000 C-class cars and will step up production to 200,000 in 1994 compared with a recent annual average output of 180,000 for the old 190 series. Some executives even hope production can be cranked up to 250,000 in 1995, even though most forecasters reckon European car markets will still be weak.

In the meantime, Mercedes has to tackle the introduction of similar changes throughout the rest of its range. Three-quarters of the passenger car output and most of its profits come from the middle-range executive classes and the luxury S-class. But it has ground to make up. Japanese competitors have a 15 per cent cost advantage over Mercedes' new compact model and are not renowned for standing still.

# UK broker haunted by Australian reinsurance

By Richard Lapper in London

THE legacy of its past involvement in Australia came back to haunt CE Heath, the UK insurance broker, yesterday when the group reported further heavy losses from discontinued aviation reinsurance business. Heath announced that it intends to sue two rival brokers over the losses, which will push the company into a post-tax loss when it reports its 1992-93 results next month. Shares in Heath fell 12p to close at 313p in London.

*Heath,* which has scaled back its involvement in insurance underwriting to concentrate on broking activities, has been hit by claims on aviation reinsurance business underwritten by its insurance subsidiary between 1987 and 1991.

Mr Peter Presland, chief executive, said total claims from the loss-making aviation reinsurance business amounted to $70m, about twice as much as premiums generated.

"Claims can go on for some time. It is the nature of underwriting. It is a risk business," said Mr Presland.

The group expects the matter to come to trial within the next 12 months and said that "there are reasonable prospects of a substantial recovery".

The group will post an £18.6m ($29m) exceptional item to meet the aviation losses. An exceptional gain of £5.6m from another former Australian underwriting operation was partially offset by a second exceptional loss of £5m, incurred from restructuring UK retail broking.

Heath reported interim pre-tax profits of £8.9m for the six months to September 30 and cut its interim dividend to 5p.

# Leading Spanish banks keep their place at the top

By Tom Burns in Madrid

BANCO SANTANDER and Banco Popular, the two pace-making Spanish banks, yesterday released first-quarter results that maintained their positions at the top of the domestic profits table.

Santander raised its quarterly profit to Pta22.3bn ($191m), an increase of 6.1 per cent on the the first quarter of 1992, and Popular posted a post-tax income of Pta13.7bn, 6.1 per cent up on last year.

Both banks reported a very positive operating profit performance that was ahead of most forecasts. Santander declared Pta33.5bn, an increase of 15.5 per cent on the first quarter of last year, and Popular raised its operating income by 16.5 per cent to Pta31bn.

Mr Emilio Botín, Santander chairman, said the results had been due to the bank's growing international business. He said the domestic market was "in a difficult situation because of the economic recession".

The bank has an extensive network in Latin America, where it has built up its corporate banking activities in Mexico, Chile and Venezuela, and is the main shareholder of the US bank First Fidelity.

Popular's balance sheet reflected the reduction of cash coefficient requirements under new Bank of Spain guidelines, as well as the bank's proven moderation over credits and its austere control of costs.

● Endesa, Spain's partially-privatised electricity group, is to pay Pta27bn for a stake of approximately 2 per cent in Germany's RWE utility. The move follows an agreement between the two companies last year that allows either company to take up to 10 per cent of the other's equity.

# Roche sales maintain rate of growth

By Ian Rodger in Zurich

ROCHE, the Swiss pharmaceuticals and fine chemicals group, said sales in the first quarter were up 7 per cent to SFr3.5bn ($2.39bn), almost in line with the growth level in the second half of last year.

Mr Fritz Gerber, chairman, said the result indicated that "barring exceptional developments, 1993 will be another successful year for the group".

Speaking at the group's annual press conference in Basle, Mr Gerber said Roche's 29 per cent rise in net income last year to SFr1.9bn was helped by improved control of operating costs, which rose only 8.7 per cent.

Income from the group's SFr12.1bn liquid assets soared 51 per cent last year to SFr1.3bn. Net financial income was SFr663m, accounting for a little over one-third of total net income.

Roche does not yet provide a sectoral breakdown of profits, but officials indicated that the diagnostics division, which has been a chronic lossmaker, broke even, and the vitamins and fine chemicals division improved its performance.

Mr Gerber said German healthcare reforms had caused a 20 per cent slump in the country's pharmaceutical market in the first quarter, but said Roche's share of that market fell only 10 per cent.

In the first quarter of this year, pharmaceutical sales rose 10 per cent to SFr1.9bn whila sales of the vitamins and fine chemical division gained only 3 per cent to SFr795m. Diagnostic sales were up 7 per cent to SFr418m and fragrances and flavours sales up 2 per cent to SFr372m.

● Swiss Bank Corporation, Switzerland's second-largest bank, said it had a "thoroughly pleasing result" in the first quarter.

"The results of both the parent and the group were substantially above the previous year's pre-tax result," it said. No figures were given.

# Trelleborg shares tumble sharply

By Hugh Carnegy in Stockholm

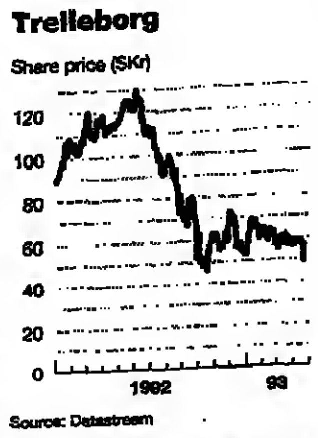
SHARES in Trelleborg, the Swedish mining and industrial group, fell sharply yesterday for the second day in succession as investors reacted to reports, strongly denied by the company, that it was facing acute financial difficulties.

Trelleborg "B" stock, the most traded shares, fell by SKr4 over the day to close at SKr49.50, having at one point dipped to SKr47.50. The shares have lost more than 12 per cent of their value since Tuesday, when the B stock closed at Skr56.50.

Trelleborg issued a strongly-worded denial of a front page story in yesterday's Svenska Dagbladet newspaper which alleged that it was negotiating with its bankers, including Skandinaviska Enskilda Banken, over its debts following problems meeting its interest payments.

The company, which is struggling to recover from heavy losses in 1992, described the report, and similar rumours in the stock market, as a lie. "We have not been in any discussions with our banks about our loans or their terms," a spokesman said.

Trelleborg was hit hard last year by recession in its domestic and international markets, falling metal prices and a foreign currency loss of SKr765m as a result of the devaluation of the Swedish krona. It scrapped its 1992 dividend after reporting a SKr1.6bn ($215m) loss after financial items.




Yesterday, it blamed speculators for manipulating its stock price to make gains on options due for redemption in June. It said it had several times been the victim of similar speculative dips in its share price in recent months. In February, it weathered a wave of rumours ranging from reports that it had exhausted its capital to speculation that Mr Kjell Nilsson, chief executive, was ill.

But analysts said investors were not convinced that the latest reports were baseless and were worried that Trelleborg had cash-flow problems that were prompting concern by the banks. One said Trelleborg shares were not yet on a crisis valuation. "If there really is a problem, there is more downside to come," said one.

# Z-Länderbank returns Sch508m

By Ian Rodger

Z-LANDERBANK Bank Austria eked out a net income of Sch508m ($46m) last year, but only after extraordinary gains on asset sales covered bad debt provisions of Sch6.3bn.

However, in its first full year of operations since the merger of the Zentralsparkasse group of Viennese savings banks and Osterreichische Länderbank in the autumn of 1991, Austria's largest bank made considerable progress towards cutting costs and improving margins.

Net interest income rose 3.5 per cent to Sch10.9bn, as the bank benefited from falling interest rates and, later in the year, greater spreads. Commissions were up 9.3 per cent to Sch2.5bn.

Operating profit was up 1.2 per cent to Sch3.4bn and bank officials indicated that nearly half came in the fourth quarter.

Total assets grew 5.8 per cent to Sch544.9bn. Capital rose 9.2 per cent to Sch27.8bn, providing a BIS ratio of 9.3 per cent.

The directors are recommending that the dividend for 1992 be cut from 14 per cent to 10 per cent.

● Creditanstalt Bankverein, Austria's second-largest bank, said its pre-tax profit surged 46 per cent in the first quarter to Sch1.15bn, due mainly to booming securities trading.

The bank said its partial operating profit, comprising net interest and fee income less operating expenses, was 29 per cent higher than the depressed figure in the comparative period. Interest income was up 5.6 per cent to Sch2.1bn and fee income gained 7.4 per cent to Sch665m.

# Tandem's earnings below expectations

By Louise Kehoe in San Francisco

TANDEM Computers reported an increase in second-quarter earnings but failed to live up to Wall Street expectations.

The US manufacturer of fault-tolerant mainframe computers said that although sales picked up in the US, revenues continue to decline in Europe.

Net income for the quarter was $11.1m, or 10 cents per share, compared with $8.8m, or 8 cents, in the same period last year. Revenues rose to $517.6m from $502.9m a year ago.

"Although we anticipated a weak quarter, the compnter business exceeded its profit goals, but our Ungermann-Bass natworking subsidiary fell below its revenue, margin, and profit targets," said Mr James Treybig, president and chief executive.

"For the seventh consecutive quarter, business in the US posted year-over-year revenue growth, gaining 13 per cent over the same quarter of the prior year," Mr Treybig noted.

"Non-European international revenues showed modest growth. Although some countries in Europe achieved revenue gains, revenues from the European division declined."

Tandem is one of many computer companies that is making a transition from proprietary technology to opan systems based on industry standards.

The company is also developing lower-priced, server products based on the latest Risc technology.

For the first six months of fiscal 1993, revenues were $1bn and net income $28.6m or 25 cents a share, including a $12.4m, or 11 cents-per-share gain from a tax accounting change.

In the first half of fiscal 1992 Tandem posted revanues of $957.4m and a net loss of $85.8m, or 79 cents, after a $98m pre-tax restructuring charge taken in the first quarter.

## Esab setback blamed on sales

ESAB, the world's leading welding equipment prodncer, yesterday blamed lower sales in Europe and Brazil for a sharply lower first-quarter profit and said its result for the full year would be worse than in 1992, writes Christopher Brown-Humes in Stockholm.

Income after financial items in the first three months amounted to SKr7m ($0.9m), against SKr34m in the same period in 1992, as sales dropped to SKr1.61bn from SKr1.65bn. The biggest downturn was in its important German market.

## Shareholders force three Alexon executives to quit

By Roland Rudd in London

THREE of Alexon Group's biggest institutional shareholders yesterday secured the removal of the chairman and chief operating officers at the womenswear retailer.

Mr Lawrence Snyder stepped down as chairman and Ms Ruth Henderson and Mr Peter Ridsdale resigned as joint chief operating officers. The shares rose 6p to 89p. The three executives were confronted with the demand for their resignation 48-hours earlier.

Mr John Sadler, a former finance director of the John Lewis Partnership was appointed non-executive chairman and Mr John Osborn, a former director of Sears, took over as chief executive.

Gartmore Pension Fund Managers, Scottish Amicable Investment Managers and Mercury Asset Management took the usual step of forcing a change of management after last month's dismal results.

Alexon lost nearly £1m before tax last year and passed its final dividend. It had made an £11.3m profit in the previous year.

## Distributor takes lead in bid for drugs wholesaler

By Paul Abrahams

COOPERATION Pharmaceutique Française, a small French independent drugs distributor, has emerged as leader in a consortium to make a counter-bid for Office Commercial Pharmaceutique, France's largest drugs wholesaler.

OCP is subject to a FFr2.12bn ($391m) friendly takeover from Gehe, the German distributor.

CPF, with a turnover last year of FFr2.3bn, has concluded an agreement with the Bourély family, which owns 15 per cent of OCP.

Under the agreement, the family can sell its shares in OCP and will not participate in the consortium.

If the CPF bid is successful, the family will not sell its shares for two years and can nominate a member of a three-man board.

One director will be appointed by CPF and the third will be chosen jointlyby the Bourély family and CPF. At the end of two years CPF will buy the Bourély shares.

CPF's advisers, Crédit Commercial de France and Banque de l'Union Européen, believe the company will be able to assemble the necessary capital to make the counter-offer by the deadline of May 5.

## Crédit Agricole beats trend with 6% profits rise

By David Buchan

CREDIT AGRICOLE, the French farmers' co-operative bank, defied the trend of its competitors by yesterday announcing a 6 per cent increase in net profit to FFr5.2bn ($959m) last year.

With FFr1,560bn deposits, or 20 per cent of the total in France at the end of last year, Crédit Agricola confirmed its leading position.

Increased profits came from an 8.2 per cent rise in net banking income and only a 4.2 per cent rise in general costs.

Crédit Agricole is still the provider of 80 per cent of all bank loans to France's farmers.

● Roussel-Uclaf, the French pharmaceutical group controlled by Hoechst of Germany, has reported pre-tax profits of FFr357m, up from FFr123m for the first three months to 31 March, writes Paul Abrahams in London.

The results were achieved on turnover of FFr3.992bn against FFr3.806bn for the same period last year. Cash-flow increased from FFr264m to FFr286m.

Rhône-Poulenc, France's largest chemicals group, is understood to be considering selling its 35 per cent stake in Roussel-Uclaf to Hoechst.

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# Dow result cheers chemical sector

By Karen Zagor in New York

DOW CHEMICAL, the second-biggest US chemicals group, yesterday provided a glimmer of hope for the embattled US chemical industry by posting better-than-expected first-quarter earnings.

Although Dow's underlying first-quarter profits dropped 28 per cent to 47 cents a share, they were significantly above the 30 cents Wall Street had anticipated. Dow's shares climbed $2⅞ to $55⅝ before the close yesterday.

Mr Leonard Bogner, senior chemical analyst at Prudential Securities, attributed the unexpectedly strong results to "a recovery in Dow's traditional commodity chemicals and plastics operations, plus a profit contribution from Europe. Most analysts had expected European operations to be in the red.

Mr Bogner said: "While the numbers do not suggest that the chemical cycle is booming, we believe that they do suggest tha erosion in profitability is over for chemicals. We would anticipate a slow recovery for the rest of 1993 and some big improvemants in earnings in 1994 and 1995."

Special items in the 1993 and 1992 quarters muddied Dow's balance sheet.

In the latest quarter, Dow had net earnings of $402m, or $1.47, including a one-tima gain of $450m, or $1, from the sale of its 50 per cent stake in Dowell Schlumberger.

A year earlier, Dow posted a net deficit of $587m, or $2.17, including charges of $765m for accounting changes.

Sales in the 1993 quarter slipped 6 per cent to $4.4bn from $4.6bn.

Operating income from chemicals and performance products soared 66 per cent in the latest quarter to $146m, due to widespread improvement in earnings from most businesses in the segment which offset lower prices for caustic soda. Sales were flat at $1.1bn.

Dow's operating income from plastics rose 4 per cent to $87m in spite of a sharp drop in thermoplastic prices in Europe.

Dow said gains in polyurethanes, styrenics and fabricated products led the advance in operating income. Sales slipped 2 per cent to $1.6bn.

The company's hydrocarbons and energy business narrowed its operating loss to $7m, from $31m, on flat sales of $384m.

Consumer specialties saw operating earnings plunge 52 per cent to $162m on a 15 per cent decline in sales to $1.3bn.

Marion Merrell Dow, the company's pharmaceutlcals operations, posted sharply lower sales and operating income in the period.

# Delta Air cuts deficit slightly

By Nikki Tait in New York

DELTA Air Lines, one of the big three US carriers, yesterday unveiled an after-tax loss of $133.9m for the three months to end-March, only slightly lower than the deficit of $151.6m in the same period of 1992.

The third-quarter results contained an operating loss of $178.6m ($199.2m).

Contained in the operating and after-tax losses was an $82.5m "restructuring charge" related to the decision to return certain Airbus jets to the lessors and to temporarily lay-off 600 pilots. Excluding this charge, Delta would have made an operating loss of $96m, and a net loss of $81.7m.

Delta's figures came one day after American Airlines had cheered the entire US airline sector with better-than-expected first-quarter results, and hinted that profitability could be in sight.

Delta's result, although showing improvement year-on-year, caused airline shares generally to weaken. Delta's own stock was down $1 at $58¼ before the close in New York. AMR, the parent company of American, was the only airline stock to hold its ground, at $71¼.

Delta said it regarded the results as "disappointing", although it noted they did reflect "continuing improvements in unit revenues and unit costs".

Operating revenues rose by 4 per cent year-on-year, to $2.93bn, while total operating expenses were $3.105bn ($3.014bn).

The third-qnarter figures mean Delta is now posting a $367m loss after tax for the first nine months, against a $326.2m deficit at the same stage in 1992. Nine-month revenues stand at $8.87bn, compared with $8.01bn.

# Improved US crude and gas prices boost Texaco by 20%

By Karen Zagor

HIGHER US prices for crude and natural gas contributed to surprisingly strong first-quarter earnings from Texaco, the US energy group, in spite of lower revenues. The company also benefited from improved product margins in Latin America and cost-cutting.

Excluding charges of $300m for accounting changes last year, first-quarter earnings rose 20 per cent to $278m, or 97 cents a share, from $232m, or 80 cents. The company reported a net loss of $68m, or 36 cents, in the 1992 quarter, including the charges.

Revenues slipped to $8.5bn in the first three months of 1993, from $8.6bn the previous year.

On Wall Street, shares in Texaco firmed $½ to $63⅜ in mid-day trading.

Mr Alfred DeCrane, who recently replaced Mr James Kinnear as chief executive, said: "Texaco has been able to contain its costs and expenses and maintain its operational competitiveness through improvements in its business processes."

Alfred DeCrane: Cost-cuts helped secure advance

Higher prices for crude oil and natural gas, and lower operating expenses, helped Texaco's operating earnings from domestic exploration and production soar to $133m, from $86m a year ago.

Earnings from US manufacturing and marketing fell to $53m, from $78m last year, reflecting a glut of supply which depressed refinery margins on the east coast and Gulf of Mexico coast. In contrast, Texaco's west coast operations had improved margins.

International exploration and production profits slipped to $79m in the 1993 quarter, from $102m. Last year's earnings benefited from currency gains of $29m from lower UK deferred taxes.

Stronger margins in Latin America and the Caltex operating area lifted Texaco's international manufacturing and marketing earnings to $123m from $81m.

Texaco's petrochemical operations lost $7m in tha 1993 quarter, compared with earnings of $8m a year earlier.

# United Technologies plunges 32% for quarter

By Martin Dickson

UNITED Technologies, the US high-technology company, reported a 32 per cent drop in first-qnarter like-for-like net income, due to plunging profits at its Pratt & Whitney aero-engine division, which has been hit hard by the problems of the world airline industry.

UTC reported net income of $64m, or 42 cents a share, compared with $94m, or 68 cents, in the same period of last year before the impact of a 1992 accounting change. Revennes totalled $4.9bn, down from $5.2bn.

Pratt's earnings totalled $13m, down from $151m for the samc period of last year, while its revennes ware $1.4bn, compared with $1.8bn.

This more than offset improved performances in other businesses. Flight systems reported income of $62m, up from $40m, due to improved deliveries of Sikorsky helicopters. Otis elevator made $94m, up from $80m, and automotive parts $37m, up from $13m.

The drop in Pratt's sales and earnings was due to lower engine shipments and sharply reduced spare part sales. Spares are among the most lucrative parts of the aero-engine business, but during downturns airlines cut back on the size of their fleets and spares inventories.

The company said commercial spare part sales in the quarter averaged $94m a month, down from $154m a month in the sama period of last year. However, after two exceptionally low quarters for orders at the end of 1992, spares orders had improved in the latest quarter.

● Cigna, the Philadelphia-based composite insurer, is reorganising its property-casualty operations into three business units, in an effort to become a "specialist" company, AP-DJ reports.

The reorganisation, which takes effect immediately, will create divisions focusing on large risks, standard commercial business and special markets respectively.

● Transamerica, the US financial services group which last week sold its property and casualty insurance unit to the public for $1bn, reported first-quarter net income of $91.8m, writes Patrick Harverson in New York.

A year ago, the group recorded net income of $83.6m, although that included $12.5m from the discontinued insurance operations. Transamerica's remaining life insurance business, which posted a 19 per cent increase in income to $51.8m, made the biggest contribution to group earnings.

# Caterpillar's advance to $34m helps spur market

By Martin Dickson in New York

CATERPILLAR, the construction equipment group, helped spur a US stock market rally yesterday, when it reported higher-than-expected first-quarter earnings.

The company made $34m, or 34 cents a share, against a loss before special accounting items of $132m, or $1.31 a share, in the same period of last year when the business was hit by a combination of US recession and a bitter employees' strike.

The strong performance was due mainly to a 44 per cent increase in group sales in the US market as dealers built up inventory in expectation of higher 1993 sales.

The company said it had revised upward its 1993 economic forecast for the US, but the outlook for Europe had deteriorated, with virtually no real growth expected.

Caterpillar shares rose $4⅞ in morning trading on the New York Stock Exchange, to stand at $66⅝ before the close, and stock market indices also rose in response to its encouraging US economic news.

The company said other factors behind the improvement included improved margins from better prices and lower cost levels.

Sales and revennes in tha quarter totalled $2.7bn, up $514m or 24 per cent from last year.

The company said physical sales volume of machinery and engines rose 19 per cent in the quarter, particularly in the US, due to both the inventory build-up and poor sales volume last year because of the strike and low customer demand.

Sales outside the US totalled $1.24bn, 8 per cent higher than the same period of last year, despite recession in continental Europe and Japan.

Caterpillar said that economic recovery had begun in the UK and its sales there were now above the levels of a year ago.

It forecast that worldwide company sales would improve moderately in 1993, with a higher percentage of US sales than previously expected.

Its results would be highly dependent on the strength of growth in the US, the severity of recession in Europe, and economic and political conditions in Brazil, where it has large operations.

# Allied Signal shows 22% rise to $149m

By Martin Dickson

ALLIED Signal, the high-technology group which has enjoyed strong earnings growth since the arrival of a new chairman in 1991, yesterday reported a 22 per cent rise in first-quarter net income, helped by strong productivity gains.

The group made $149m, or $1.05 a share, compared with $122m, or 87 cents, on a like-for-like basis in the same period of 1992, when it took an accounting charge leading to a $1.1bn net loss.

Sales dipped 2.6 per cent to $2.9bn.

Mr Lawrence Bossidy, chairman, said: "Despite first-quarter weakness throughout the aerospace industry and severe recession in Europe, operating margin expanded to 8.2 per cent from 6.1 per cent, while return on equity remained about 26 per cent".

He added that the gains were driven primarily by a 5.7 per cent increase in productivity.

The engineered materials business saw net income rise 37 per cent, to $67m, on sales which were 10 per cent higher than the previous year.

Automotive income was up 35 per cent at $42m on marginally higher sales, with lower European revenues more than offset by North America.

Aerospace net income rose 9 per cent to $49m despite an 11 per cent drop in sales.

# Sara Lee 10% up on higher sales

By Nikki Tait

SARA LEE, the Chicago-based consumer products company, yesterday reported a 10.8 per cent increase in after-tax profits, to $152m, in the third quarter to March 27. The improvement came on sales 5.2 per cent higher, at $3.3bn.

The company said it saw "continued margin improvement in packaged foods".

However, on the personal products side, strong performance in the US was offset by weakness in Europe, and operating profits from this division slipped 2.9 per cent, to $127m.

The group is showing net profit of $514m for the first nine months on sales of $10.7bn. Earnings per share for the quarter were 30 cents, against 27 cents a year ago. The nine-month figure is $1.

# BankAmerica income up 60%

By Alan Friedman in New York

BANKAMERICA Corporation, which last year completed its takeover of the troubled Security Pacific bank, yesterday reported a 60 per cent jump in its first-quarter 1993 net income, to $484m, or $1.19 per share.

Mr Richard Rosenberg, chairman, said the results reflected the continuing effects of weakness in the California economy and other key markets.

"These economic weaknesses remain a source of concern. However, improvements in the more controllable aspects of our business, such as expenses and credit quality, have helped to mitigate the effects of the soft economy," he explained.

The bank underscored the fact that its non-performing assets and the size of assets to be disposed of declined during the first three months of 1993. Non-performing assets declined by $205m in the quarter. Assets pending disposal declined by $1.7bn to $2.59bn.

Net credit losses in the quarter were $303m, down from $501m in the fourth quarter of 1992, but higher than the $219m of the first quarter of last year. Bad debt provisions were $235m, against $230m a year ago.

Net interest income for the quarter was $1.843bn, down by 5 per cent from the last quarter of 1992, but much improved on the $1.231bn of a year ago before the merger with Security Pacific.

Non-interest income was $1.089bn in the quarter, 8 per cent higher than the previous quarter and nearly twice the $596m of a year ago.

BankAmerica's share price was up $⅜ to $49½ before the close in New York.

● Bank of Boston reported a first-quarter $67m net profit, against $57m. Non-performing assets were $597m, down 53 per cent on last year.

# Cigarette price war hurts profits

AMERICAN Brands, the Connecticut-based consumer products company with large tobacco interests, yesterday warned of lower first-half profits due to the cigarette price war begun this month by its rival Philip Morris, writes Nikki Tait in New York.

First-quarter profits, before accounting charges, edged up to $247.1m, from $245.2m a year earlier, on revenues of $3.74bn down from $3.83bn.

# MCI edges ahead of competition

By Martin Dickson

MCI Communications, the second-largest US long-distance telecommunications company, yesterday showed strong growth in traffic and operating earnings as it reported a 7 per cent increase in first-quarter net income after extraordinary items.

The company, which is involved in a fierce marketing war with long-distance rivals AT&T and Sprint, reported a 13.6 per cent increase in traffic compared with a year ago - well ahead of the industry average - and a 4.7 per cent rise from the fourth quarter.

MCI said growth had come across all markets. It attributed this to new contract awards from large business customers, new products, and its strength in the consumer and small-to-medium business market, achieved with innovative offerings.

Its Friends and Family plan, a discount programme in the consumer market, recently achieved 10m subscribers, but now faces additional competition from a new residential service launched by market leader AT&T.

MCI's net income totalled $151m, or 56 cents a share, compared with $141m, or 51 cents, in the same period of last year, while revenues rose 11.8 per cent to $2.81bn.

The income figure included a $17m extraordinary charge for the early retirement of debt. However, at an operating level, income reached $340m, up 20 per cent on a year ago, while operating expenses totalled $2.47bn, up from $2.2bn.

# Data General turns in an unexpected loss

By Louise Kehoe

DATA GENERAL, the US minicomputer manufacturer, reported unexpected losses for the second quarter as its struggle to achieve sustained profitability faltered, despite increased sales of its new open systems products.

Net losses for the quarter were $7.6m, or 22 cents per share, compared with losses of $55.3m, or $1.69, in the same period last year when the company took a restructuring charge of $48m.

Revenues were $267.4m, against $273.8m. The company said that, without the unfavourable impact of foreign exchange rate changes, revenue would have been slightly higher than last year.

"We are not satisfied with the overall results, primarily in the revenue area," said Mr Ronald Skates, president and chief executive, "but we are encouraged by the continued success of our open systems computers."

# Borland and WordPerfect unite against Microsoft

By Louise Kehoe in San Francisco

BORLAND International and WordPerfect, two of the leading suppliers of software for personal computers, have formed a strategic alliance to compete more effectively against Microsoft, the world's largest software company.

The two companies will share technology and other resources but have no plans to merge, they said.

Initially, Borland and WordPerfect will collaborate in research and development and jointly support standards for accessing data on different types of computers. They will also co-ordinate marketing, sales and support programmes.

Financial terms of the agreement between Borland and WordPerfect were not revealed. The companies said, however, that it did not include equity investment by either company.

Next month, Borland will launch the first product resulting from the alliance, Borland Office for Windows, an integrated software package combining WordPerfect's popular word-processing program with Borland's spreadsheet and database programs.

This product will be available only in North America at first, where it will cost $595, less than half the price of the three programs that it combines.

Borland Office will compete with similar "suites" of application programs from Microsoft and Lotus Development. According to International Data, a market research group, Microsoft sold 700,000 suite packages in 1992, and Lotus 100,000.

However, neither offer a "suite" package containing a database management program.

● Lotus Development, the US personal computer software company, unveiled a sharp drop in earnings on flat revenues for its first quarter.

Net income was $12.3m, or 29 cents per share, a 41 per cent decline on income of $20.8m, or 47 cents, last year. Revenues of $227m equalled those of the first quarter a year ago.

# Lower prices push Cominco into C$36.8m loss

By Robert Gibbens in Montreal

COMINCO, the Canadian mining, metals and fertilisers group, posted a loss of C$36.8m (US$29.2m), or 47 cents a share, for the first quarter because of poor prices.

This compared with a loss of C$4.9m, or 7 cents, in the corraspondingquarter of 1992. Sales were C$291.5m, against C$329m a year earlier.

The lower Canadian dollar only partly offset sharply lower base metal prices, Cominco said. Mining and integrated metals operations showed an operating loss of C$22.2m, compared with an operating profit of C$6m, on sales of C$227m, against C$256m.

The Red Dog mine in Alaska continued to show losses, as did the Sullivan mine and Trail smelting operations in British Columbia.

Fertiliser profits slipped to C$5.9m, and sales were lower because of poor weather in the US market.

The Quebrada copper project in northern Chile is now in full construction with a workforce of 2,000 at the site.

INCO (Indonesia), which is majority-owned by Inco, the Canadian mining company, yesterday announced a 31 per cent fall in net profits to US$5.42m for the first quarter compared with the year-earlier period, writes William Keeling in Jakarta.

The company's ninc in Sulawesi is among the world's lowest-cost producers, and the results underscore the effect of low nickel prices on producers' bottom lines.

While Inco (Indonesia) announced a fall in year-on-year first-quarter sales to $39.95m from $41.41m, no figures were released for production or sales volumes, or for actual realised price of nickel in the first three months.

"From quarter to quarter, results can be delayed due to shipping schedules. Until we get the full breakdown of figures, it's difficult to judge the company's performance," noted one foreign broker.

● Inco is responding to lower nickel prices by driving costs down further and may cut back production again later this year, Mr Michael Sopko, chairman, told the annual meeting in Toronto.

"Russian nickel exports overhang the market like a cloud," he said.

Inco is looking to offshore laterite deposits for future expansion, because they can be mined by open-pit methods and show lower costs.

● Stelco, Canada's second-biggest steelmaker, lost C$38m, or 51 cents a share, in the first quarter, against a loss of C$32m, or 45 cents, a year earlier. Sales were little changed at C$575m.

● Rio Algom's first-quarter profit jumped 43 per cent to C$7m, or 15 cents a share, on revenues of C$258m, up 8 per cent. The gain came from growth in metals distribution.

# Freegold output behind Anglo American climb

By Philip Gawith in Johannesburg

IMPROVED gold output from the Freegold mine helped the gold mining operations of South Africa's Anglo American group to record a 3.5 per cent increase in attributable profits tn R209.8m 1$66.2m) in the three months to the end of March, from R202.7m in the December quarter.

Anglo American, the world's largest gold producer, lifted production by 1 per cent to 67,091kg from 66,399kg in the previous quarter. The average revenue rose by 2 per cent to R34,705 per kg from R34,040 per kg reflecting the benefits of hedging and a firmer gold price.

Total costs rose by 2 per cent to R1.79bn from R1.75bn, with average unit costs 1 per cent higher at R26,731 per kg against R26,387 per kg.

Mr Clem Sunter, chairman of Anglo American's gold and uranium division, noted that the attributable profits were 27 per cent higher than the quarterly average in 1992 of R165m.

He was cautiously optimistic about the group's prospects. He said there was more of a positive attitude in the market towards gold, and there was "definite scope now for gold to move into the $350 to $370 an ounce range."

This would benefit Anglo American's mines, he said, as no mine, taking any 12-month period, had more than 50 per cent of its production hedged.

Freegold, the holding company for the group's Free State operations, achieved a quarterly production record of 30,054kg, up from 28,950kg in the December quarter. Its attributable profits rose by 22.8 per cent to R92.7m from R75.5m on the back of increased production, lower unit costs and a 2.6 per cent increase in the average price of gold.

Clem Sunter: 'positive attitude in market towards gold'

The group's Transvaal mines all performed solidly. Vaal Reefs's production was virtually unchanged at 18,901kg, but attributable profits fell to R55.6m from R61.8m as last quarter's figures included a dividend from Southvaal Holdings.

The directors said Western Deep Levels had had its best first quarter in years, but attributable profits dropped to R32.6m from R40.1m due to a sharply higher tax charge.

# Kao turns in improvement

IN SPITE of the slump in consumer spending, Japanese women are still spending heavily on cosmetics and personal hygiene products, according to Kao, the country's leading household products manufacturer, writes Charles Leadbeater.

Yesterday, it reported a 17 per cent increase in group pre-tax profits to Y45.32bn ($408m) for the year to the end of March from Y38.62bn a year earlier. Consolidated sales rose by 5.7 per cent to Y771.27bn from Y729.88bn.

Group earnings per share fell 7.6 per cent to Y34.07 from Y36.87 reflecting an increase in the number of outstanding shares following a one-for-10 stock split during the year.

The directors set the final dividend at Y5 a share, making an unchanged Y10 for the year.

# Rise of 21% in per share earnings at Citic Pacific

By Simon Holberton in Hong Kong

CITIC Pacific, the Beijing-controlled conglomerate in Hong Kong, yesterday posted a 200 per cent rise in net profits to HK$1bn (US$129m) from HK$332.9m in 1991 on turnover of HK$8.3bn, up from HK$118m.

The directors declared a final dividend of 22 cents a share making 30.2 cents for the year – up 25 per cent on 1991.

Comparisons with the past are difficult because Citic underwent a large change in 1992, acquiring Hang Chong, a large trading company. The figures also include a first time contribution from Citic's 12.5 per cent interest in Cathay Pacific and 46 per cent of Dragon Air.

During the year Citic also acquired a 12 per cent stake in Hongkong Telecom, interests in two mainland Chinese power stations and a share in a waste disposal plant in Hong Kong.

Earnings per share – a better guide to Citic's management of its assets – grew by 21 per cent to 87.4 cents, from 72 cents in 1991.

Mr Larry Yung, chairman, said Citic would continue to acquire more assets and raise more cash but only as long as two pre-conditions were met – "that per share earnings will not be diluted and that the interests of small shareholders will be protected."

Da Chong Hong, which distributes Nissan cars, moved aggressively into mainland China last year. Citic said that sales in China, which analysts put at more than 12,000, accounted for 54 per cent of its total car sales last year.

Da Chong Hong also plans to manage a confectionery and food manufacturing plant in Shanghai and has signed an agreement with Isuzu of Japan to produce trucks and vans in Sichuan.

Profits from Dragon Air – the Cathay/Citic joint venture airline which took over Cathay's China routes – doubled last year. Jardine Fleming estimated that Dragon produced a profit of more than HK$200m.

# Carrier's crucial timetable for recovery

## James Whittington reports on Middle East Airlines' struggle to return to profitability

LEBANON'S Middle East Airlines (MEA), once a successful carrier, has during the past 15 years been associated only with hijackings and terrorism.

Severely affected by the protracted fighting and repeated closures of Beirut International Airport during Lebanon's civil war, the privately-owned carrier was frequently victim of hijacking militias seeking international exposure.

Now hostilities are over and the government led by Saudi-Lebanese prime minister Mr Rafik Al Hariri is determined to rebuild the country. As a consequence, MEA is looking to regain some of its former status.

Mr Abdel Hamid Fakhoury, appointed the airline's chairman in June last year and reportedly close to Lebanese President Elias Hrawi, says: "We are in a period of transition. During the war, our main policy was that of survival. We had to continue. Having survived, we can now look at building on what we have."

With a low level of debt of about $50m, Mr Fakhoury says that the airline's "conservative policy" during the war has paid off. Its fleet remains substantially the same as that in 1975, with three Boeing 747s and eleven Boeing 707s. In 1992, it leased two Airbus A310-200s from KLM Royal Dutch Airlines. This contract runs for three years and grants MEA the option to buy the aircraft.

Despite a 28 per cent reduction in the number of employees in 1981, MEA is still the biggest private employer in the country, with 3,873 staff.

The carrier's ownership is split between the majority state-owned Intra Investment Company, which has a 62 per cent stake, and Air France which owns 28 per cent. The remaining 10 per cent is half owned by employees and half by Lebanese investors. Shareholders in Intra include Lebanon's central bank, the National Bank of Kuwait, and the governments of Qatar and Kuwait.

MEA services 37 destinations in Europe, Africa and the Middle East. Last year, it carried 701,805 passengers, which compares with more than 1.1m in 1975 when Lebanon attracted peak numbers of tourists. Unprofitable flights to Ankara and Dacca have recently been stopped and the airline's overall net losses last year were cut to $5.2m, from $10m in 1991.

Having suffered accumulated losses of more than $200m since 1976, Mr Fakhoury is confident that the airline's loss-making days are over. "We hope to break even this year for the first time since 1975," he says.

His confidence is reflected by a high level of business optimism in Beirut. Mr Al Hariri, who is himself a dollar billionaire, seems to have instilled faith among the Lebanese business community and with foreign aid now starting to flow into Beirut's reconstruction programme, the city is beginning to shake off its image as one of the most dangerous places in the world.

As an indication of this, the Arab Aircraft Carrier Organisation (AACO) decided to return its headquarters to Beirut at its annual conference earlier this month.

Mr Fakhoury explains that MEA's policy is firstly to serve the large number of Lebanese expatriates scattered around the world, and secondly tn recapture the booming tourist trade of the 1960s and early 1970s.

A central objective of the airline's comeback strategy is to regain its routes to the US. These were stopped in June 1985 after a TWA airliner on an Athens-Rome flight was hijacked by members of Hizbollah, the Islamic fundamentalist group, and ordered to fly to Beirut.

Mr Fakhoury says: "There is continual dialogue between our government and the US, but so far the response has been, 'give it more time'." MEA hopes that when the US rescinds the ban, other important routes will be granted, such as one to Canada and Australia.

"One of the basic characteristics of this country is that we have a large number of Lebanese spread all over the world. MEA could make profits on this market alone, if we are given access to them," he says.

In anticipation of increased passenger traffic, the government plans to expand the state-owned Beirut International Airport. Modernisation of the airport's facilities is already under way. Having been frozen for most of the past 18 years by the civil war, much of the airport's aviation technology is out of date.

Plans for expansion include a terminal capable of handling a flow of 6m passengers a year and a third 3,500-metre runway. In 1992, 21 foreign airlines used the airport, including Air France, KLM and Alitalia, and the airport handled about 1m passengers. Tourist traffic today, however, according to Mr Fakhoury, is negligible.

Funds required to rehabilitate and develop the airport will be allocated by Lebanon's Council of Development and Reconstruction (CDR), charged by the government to oversee the reconstruction of the country.

The CDR is seeking $5bn in foreign aid and private investment for the reconstruction of Beirut city, including the airport. "If finance is forthcoming, development should take no more than two years," says Mr Fakhoury.

MEA's future hinges on whether this timescale can be met and this depends on Mr Hariri's ability to deliver. The government faces a Herculean challenge in its plans for reconstruction and stabilising an economy awash with corruption, unemployment, poverty and mismanagement.

The country's politics remain volatile, and regional stability is far from guaranteed. While MEA attempts to improve its tarnished image abroad, many potential passengers are likely to wait and see before booking a flight.

# Seven-Eleven Japan advances

By Charles Leadbeater in Tokyo

SEVEN-Eleven Japan, the country's largest convenience store operator, yesterday reported a 9.7 per cent increase in pre-tax profits, one of the best financial performances this year by a leading retailer.

While most Japanese retailers, especially luxury department stores, have been hit hard by the downturn in consumer spending, Seven-Eleven announced increases in its profits, sales and dividends.

Seven-Eleven runs an extensive network of 24-hour, local convenience stores, which sell food and household items. The contrast between its improved financial performance and the sharp deterioration in the performance of leading department stores is an indicator of how consumer spending is shifting from luxury brands to basic goods.

The group's pre-tax profit rose by 9.7 per cent to Y85,160m ($767m) for the year to the end of February on overall sales growth of 11.8 per cent to Y181,962m. The company said it was increasing its final dividend by Y0.5 per share to Y34, up Y2 from last year.

Denny's Japan, the fast-food restaurant chain, reported a 19.1 per cent fall in pre-tax profits in the year to the end of February, largely because lower interest rates lowered its non-operating income and it had fewer customers. Denny's pre-tax profits were Y6.46bn, compared with Y7.99bn in the previous year. Sales rose by 0.6 per cent to Y85.45bn, from Y85bn the year before.

Both Seven-Eleven and Denny's are affiliated with Ito-Yokado, Japan's largest supermarket operator. The slump in the Japanese economy was the main factor behind Ito-Yokado reporting its first ever fall in consolidated pre-tax profits.

Ito-Yokado, said consolidated pre-tax profit, covering the parent group and 58 subsidiaries, for the year to the end of February, was 11.1 per cent down at Y181,121m. The parent company's unconsolidated pre-tax profit rose by 0.4 per cent to Y97.51bn on sales of Y1,511.55bn, up 3.6 per cent on the year before.

Tokyu, the Tokyo-based supermarket and chain store operator, reported a 14.2 per cent fall in pre-tax profits to Y4.93bn, on sales which were 2.2 per cent up at Y291.32bn. Taka-Q, the clothing manufacturer, reported a loss of Y4.27bn in the year to February 28. Sales fell by 12.5 per cent to Y74.69bn.

# Tokyo Steel tumbles as rivals cut capital spending

By Robert Thomson in Tokyo

TOKYO Steel Manufacturing, a medium-sized Japanese steelmaker, yesterday reported a 51.9 per cent fall in pre-tax profits to Y28.5bn ($257m) for the year ending in March, as larger steelmakers announced cuts in capital spending for this year.

Sales slipped 4.8 per cent to Y203.3bn following a sharp fall in demand from the private construction industry, which has been seriously bruised by a surplus of office and apartments in the two largest cities, Tokyo and Osaka.

The company also reported that weakening demand led to tougher price competition among Japanese makers. Larger makers export about 20 per cent of their production, but Tokyo Steel depends for about 90 per cent of its sales on a still-weakening domestic market.

Tokyo Steel hopes that a Y13,200bn economic package announced last week will stimulate orders for public works projects, and is confident that the private construction market will recover later this year.

But, for the year ending next March, the company expects a 13 per cent fall in sales to Y177bn, and a pre-tax profit of only Y3bn.

Meanwhile, Nippon Steel, the world's largest steelmaker, announced a 15 per cent cut to Y170bn in capital spending planned for this year, while NKK, another leading maker, said its outlays would fall 29 per cent to Y145bn.

## INTERNATIONAL CAPITAL MARKETS

# Cut in Lombard rate puts life back into European markets

By Jane Fuller in London and Patrick Harverson in New York

BOND markets across Europe sprang back to life following the Bundesbank's decision to cut German interest rates yesterday. The German central bank announced a ½ point cut in the Lombard rate, taking it down to 8.5 per cent, and a ½ point lowering of the discount rate to 7.25 per cent.

The relief was all the greater because dealers said some news agencies initially mistakenly reported that there had been no change in German rates. That false alarm briefly sent the bund futures contract down to 95.58, compared with the opening 95.73.

This was rapidly reversed after news of the cuts came through, and the bund futures contract closed at the day's high of 96.28.

Trading volumes were very heavy, with about 94,000 futures contracts traded.

The change in mood followed a couple of weeks of pessimism, culminating in disappointment at the first-quarter M3 money supply expansion and at the German finance minister's warning on the budget deficit earlier this week.

The interest rate cuts were all the more unexpected in the wake of a tiny reduction in the repo rate on Wednesday.

Next week's repo rate is expected to be cut by at least 25 basis points from the current 8.09 per cent, and one economist was looking for it to come down to 7 per cent by the end of June and 6 per cent or less by the end of the year.

The interpretation put on the Bundesbank's action was that it was acknowledging the serious weakness in the real economy.

Italy, Austria, Belgium and the Netherlands followed suit with interest rate cuts. Among the rallying bond markets, Italy gained more than a point.

On the Paris-based Matif exchange, the futures contract gained about half a point as the Bundesbank's move raised hopes of another cut in French interest rates, possibly as soon as the beginning of next week.

The Spanish market also rallied, particularly at the long end, although dealers said the peseta remained under pressure.

## GOVERNMENT BONDS

■ THE UK government bond market ended the day a little lower, although the German news led to some recovery after the market had been punctured by the surprisingly good UK unemployment figures.

A second month's fall in the jobless was taken as a sign that the economy had turned the corner, ruling out hopes of a further cut in interest rates and raising concern about inflationary pressure later in the year.

At one stage, the 10 to 15-year bonds were down more than a point and the futures contract was down by a similar amount.

After the Bundesbank came to the rescue, bonds at most maturities recovered to end down by only a quarter point.

However, because of nervousness ahead of next Wednesday's auction, one analyst said some downside risk remained.

For example, if today's retail sales figures indicate a further strengthening of the economy, selling pressure could again be exerted.

■ US Treasury prices were lower at the long end yesterday morning on futures-led selling as dealers and investors in the US Treasury market ignored both the cut in German interest rates and a rise in weekly jobless claims.

By midday, the benchmark 30-year government bond was down $\frac{1}{8}$ at $104\frac{21}{32}$, yielding 6.757 per cent. At the short end of the market, the two-year note was slightly firmer, up $\frac{1}{32}$ at $100\frac{1}{32}$, to yield 3.705 per cent.

Normally, the Bundesbank's decision to cut German interest rates would be bullish for US bonds. In theory, lower German rates should help lift the dollar, making US assets (including government securities), a more attractive investment to foreigners.

However, yesterday the dollar did not rally particularly strongly on the Bundesbank's move, leaving Treasury investors with little cause for celebration. The news that weekly unemployment insurance claims rose 26,000 also failed to stir much interest, although the data confirmed that the labour market was still struggling to keep up with the economic recovery.

Instead, the morning was dominated by selling in the futures market, which hit longer-dated prices. Two dealers unloaded June Treasury bond contracts just before the jobs numbers were released. The long end was also pressured by a newspaper report that said Mr George Soros, the influential US money manager, was turning bearish on US bonds.

■ JAPANESE cash bonds and futures responded positively to yet another record high for the yen against the dollar and to the fifth consecutive day's fall in the Nikkei average index.

The June futures contract rose to 109.53 from 109.30, trading in a range of 109.14 to 109.60, while the yield on the benchmark 145 due 2002 moved from 4.22 per cent to 4.15 per cent. Both markets gained a little more in London trading. The market remained dominated by dealers rather than institutional investors.

### FT FIXED INTEREST INDICES

| | April 22 | April 21 | April 20 | April 19 | April 18 | Year ago | High * | Low * |
|---|---|---|---|---|---|---|---|---|
| Govt.Secs.(UK) | 95.58 | 95.99 | 95.89 | 96.08 | 96.35 | 88.45 | 96.04 | 93.28 |
| Fixed Interest | 111.80 | 111.80 | 111.80 | 111.89 | 112.78 | 102.21 | 113.83 | 108.87 |

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 113.83 (8/3/93), low 50.53 (3/1/75)

### GILT EDGED ACTIVITY

| Indices* | April 21 | April 20 | April 19 | April 16 | April 15 |
|---|---|---|---|---|---|
| Gilt Edged Bargains | 121.9 | 125.9 | 113.1 | 110.3 | 121.4 |
| 5-Day average | 118.5 | 115.7 | 111.2 | 108.0 | 103.6 |

* SE activity indices rebased 1974

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| AUSTRALIA | | 9.500 | 08/03 | 113.7815 | -0.157 | 7.55 | 7.52 | 7.71 |
| BELGIUM | | 9.000 | 03/03 | 110.8500 | +0.350 | 7.40 | 7.38 | 7.37 |
| CANADA * | | 7.250 | 03/03 | 98.3600 | -0.350 | 7.34 | 7.37 | 7.45 |
| DENMARK | | 8.000 | 05/03 | 103.1250 | +1.025 | 7.54 | 7.80 | 8.13 |
| FRANCE | BTAN | 8.000 | 05/98 | 104.9602 | +0.512 | 6.80 | 6.90 | 7.03 |
| | OAT | 8.500 | 04/03 | 110.2300 | +0.740 | 7.03 | 7.18 | 7.32 |
| GERMANY | | 7.125 | 12/02 | 103.8350 | +0.630 | 6.55 | 6.08 | 6.70 |
| ITALY | | 11.500 | 03/03 | 94.0100 | +0.865 | 12.97† | 13.27 | 12.86 |
| JAPAN | No 118 | 4.800 | 06/99 | 103.3100 | +0.101 | 4.12 | 4.21 | 4.00 |
| | No 145 | 5.500 | 03/02 | 108.8196 | +0.527 | 4.14 | 4.23 | 4.09 |
| NETHERLANDS | | 7.000 | 02/03 | 103.4400 | +0.190 | 6.51 | 6.52 | 6.67 |
| SPAIN | | 18.300 | 08/02 | 93.3750 | +0.420 | 11.49 | 11.62 | 11.52 |
| UK GILTS | | 7.250 | 03/98 | 100-28 | -8/32 | 7.02 | 6.79 | 8.74 |
| | | 8.000 | 06/03 | 100-17 | -12/32 | 7.92 | 7.67 | 7.70 |
| | | 9.000 | 10/08 | 105-22 | -13/32 | 8.34 | 8.18 | 8.27 |
| US TREASURY * | | 6.250 | 02/03 | 102-25 | -5/32 | 5.87 | 5.90 | 5.01 |
| | | 7.125 | 02/23 | 104-12 | -19/32 | 8.78 | 6.78 | 8.78 |
| ECU (French Govt) | | 8.000 | 04/03 | 102.8700 | +0.400 | 7.57 | 7.57 | 7.57 |

London closing, *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

# Lucas enters US private market to raise $116m

By Sara Webb

LUCAS Industries, the international engineering group, is raising $116m of 12-year money through the US private placement market. The car and aerospace components group is the latest in a stream of UK companies to tap the US private placement market for funds because of the ease of obtaining relatively cheap, long-term financing.

The bonds, which have a 6.95 per cent coupon, are issued by the US subsidiary and guaranteed by Lucas, the parent company. The company has received commitments for $116m.

Mr Edward Freeborn, director of corporate finance, said the company chose to use the US private placement market because it was very efficient.

He added that it would have been more expensive for the company to tap the Eurobond market, and less easy to obtain such long-term financing from UK banks.

"US [interest] rates for corporate borrowers are at an 18-year low, and this placement usefully lengthens our average debt maturity," said Mr Freeborn.

The funds will be used to refinance the group's higher cost debt, mainly borrowings with a maturity of less than one year.

Lucas had its long-term debt rating lowered from A- to BBB+ by IBCA earlier this year.

The deal was managed in the US by Wertheim Schroder, who managed a previous issue for Lucas in March 1992, a $100m 12-year deal.

Mr Stephen Schechter, managing director of Wertheim Schroder, pointed out that banks in the UK are unwilling to lend money at maturities of more than five years, while companies with a credit rating below AA cannot access the Eurobond market easily.

Lucas's bonds are being placed with US life insurance companies which want to lock into long-term fixed rate investments at an attractive margin over US Treasury bonds.

# British Land issues £200m debenture

By Sara Webb

BRITISH LAND, the UK property company, issued £200m of 35-year debenture stock yesterday. The funds will be used for general corporate purposes, which could include the repayment of the group's more expensive debt, the acquisition of new properties, or further capital expenditure on existing properties.

The £200m First Mortgage Debenture Stock 2028 has a 9⅝ per cent coupon and was issued at a spread of 90 basis points over the 8¾ per cent gilt due 2017, with an issue price of 99.403. By late afternoon, the bid price was 99.5, while the spread was unchanged, according to S.G. Warburg Securities, joint lead manager for the deal with NatWest Capital Markets.

The 35-year debenture increases the weighted average maturity of BL's outstanding debt to about 16 years.

# French franc sector generates interest as currency stabilises

By Sara Webb

THE French franc sector of the Eurobond market continued to draw issuers yesterday as borrowers were keen to take advantage of the new-found stability of the French currency as well as the prospect of falling interest rates.

The EIB and Credit Local de France both launched FFr2bn bond issues yesterday. The EIB bond, lead-managed by CCF, has a 6.75 per cent coupon and matures in 1998.

## INTERNATIONAL BONDS

Priced at 10 basis points over the 1998 government bond, the spread widened out to 12 basis points by late afternoon because of the strong rally in the government bond market, the lead manager said.

However, CCF pointed out that the sector remained an attractive one as the recent general election result had led to stability of the currency while yesterday's cut in German interest rates had raised hopes that the Bank of France would be able to follow suit soon.

Peninsula & Oriental Steam Navigation (P&O) launched a £150m 10-year convertible bond issue with a 7.25 per cent coupon.

The deal was seen as aggressively priced. UBS, the lead managers, said the bonds, which were launched at par, later traded at 100%.

The Republic of Iceland also tapped the sterling sector with a £100m 10-year bond with a coupon of 8.75 per cent – the country's biggest public bond issue.

Iceland has not tapped the sterling market since 1981 when it issued a 35-year bond. Last year, it tapped the Eurobond market with a DM225m issue.

Yesterday's deal was launched at a yield spread of 90 basis points over the 8 per cent 10-year gilt, and the spread narrowed to 88 basis points on the bid side, according to J.P. Morgan, the lead manager. Demand for the bonds came mainly from the UK, and about a quarter of the issue was placed in continental Europe.

Mitsubishi Corp Finance tapped the Euroyen sector with a 4.5 per cent Y30bn four-year deal led by Morgan Stanley. The lead manager said the proceeds would be swapped into floating rate yen and the funds would be used for general corporate purposes such as paying off maturing debt.

Mitsubishi Corp Finance, which has been preparing to launch its bond issue for some time, went ahead yesterday because of what it sees as the favourable market conditions – in particular the international demand for yen assets and low interest rates.

Yesterday saw the launch of the first Chinese deal in the Euromarkets – a $150m floating rate note from Guangdong International Trust & Investment Corporation (Citic), a development arm of the government of China's fastest-growing province. The issue, led by Union Bank of Switzerland, had a five-year maturity and is priced at 55 basis points over six-month Libor.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| US DOLLARS | | | | | | | |
| GITIC(a)‡ | 150 | (a) | 99.9R | May.1998 | 0.3R | - | UBS |
| Banco Nordeste Brazil(b)# | 100 | 10.375 | 99.8R | Nov.1995 | 1.25R | +850 (b) | CSFB |
| YEN | | | | | | | |
| Mitsubishi Corp.Finance | 30bn | 4.5 | 100R | Aug.1997 | 0.25R | - | Morgan Stanley Int. |
| Capcom Co.(c)§♦ | 12bn | 1.5 | 100 | Sep.1997 | 2.5 | - | Nomura International |
| D-MARKS | | | | | | | |
| OKB(d) | 300 | 3 | 100.8 | May.2000 | 2.25 | - | JP Morgan |
| FRENCH FRANCS | | | | | | | |
| Crédit Local de France | 2bn | 7 | 99R | May.2003 | 0.325R | +34 (8¼%-03) | Credit Lyonnais |
| European Investment Bank | 2bn | 6.75 | 99.89R | May.1998 | 0.25R | +15 (5¾%-98) | CCF |
| STERLING | | | | | | | |
| P&O♦§ | 150 | 7.25 | 100 | May.2003 | 2.5 | - | UBS |
| Republic of Iceland | 100 | 8.75 | 98.74R | May.2003 | 0.375R | +90 (8%-03) | JP Morgan Securities |
| ITALIAN LIRA | | | | | | | |
| Rabobank Nederland | 150bn | 11.6 | 99.9R | May.1998 | 0.25R | - | Banca di Roma |
| KfW Intl.Finance(f) | 75bn | 10.8 | 101.625 | May.1998 | 1.875 | - | BCI/ JP Morgan Secs. |
| AUSTRALIAN DOLLARS | | | | | | | |
| Bayerische Hypobank | 100 | 8.75 | 101.43 | Jun.1997 | 1.75 | - | Barclays de Zoete Wedd |
| SWISS FRANCS | | | | | | | |
| Bk.Dutch Municipalities(g) | 195 | 3 | 101.25 | May.1999 | - | - | UBS |
| Republic of Ireland♦ | 195 | 4.75 | 101.5 | Jun.1997 | - | - | Swiss Bank Corp. |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ♦Private placement. §Convertible. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor + 0.55%. b) Yield is over the interpolated yield curve. c) Final terms fixed on 28/4/93, Callable from 1/4/94 subject to 130% rule. d) Denominations: DM5000 + 5 warrants. [illegible] g) Denominations: SFr50,000 + 300 warrants to the 8⅛% OAT due 2003. Warrant entitle holder to a FFr1,000 bond at 107.5% strike price.

## MARKET STATISTICS

### FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:25 pm on April 22

[illegible]

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### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 1 | 74 | 2 |
| Other Fixed Interest | 3 | 3 | 9 |
| Commercial, Industrial | 425 | 165 | 813 |
| Financial & Property | 177 | 91 | 532 |
| Oil & Gas | 18 | 16 | 50 |
| Plantations | 1 | 1 | 8 |
| Mines | 28 | 37 | 70 |
| Others | 40 | 46 | 33 |
| Totals | 693 | 433 | 1,515 |

### LONDON RECENT ISSUES

#### EQUITIES

[illegible]

#### FIXED INTEREST STOCKS

[illegible]

#### RIGHTS OFFERS

[illegible]

### TRADITIONAL OPTIONS

- First Dealings April 5
- Last Dealings April 23
- Last Declarations July 15
- For settlement July 26

3-month call rate indications are shown in Saturday editions.

Calls in Avesco, Austin Reed (Ord. & A), First Tech., French Connection, Kewill Systs., McCarthy & Stone, NMC warrants, Ratners, Sanderson Elect., Sleepy Kids, Telemetrix and Tadpole Tech. Puts in Austin Reed (Ord. & A), Clinton Cards, First Tech. and NMC warrants. Doubles in Fisons and Regalian Props.

### FT-SE ACTUARIES INDICES

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### LIFFE EQUITY OPTIONS

[illegible]

Euro FT-SE Calls 215 Puts 1,034
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

### FT-ACTUARIES FIXED INTEREST INDICES

| | PRICE INDICES | Thu Apr 22 | Day's change % | Wed Apr 21 | Accrued interest | xd adj. 1993 to date |
|---|---|---|---|---|---|---|
| | British Government | | | | | |
| 1 | Up to 5 years (23) | 127.27 | -0.22 | 127.55 | 1.58 | 3.82 |
| 2 | 5-15 years (24) | 146.57 | -0.26 | 146.96 | 1.15 | 5.22 |
| 3 | Over 15 years (8) | 157.63 | -0.27 | 158.06 | 2.17 | 3.18 |
| 4 | Irredeemables (6) | 179.82 | -0.66 | 181.03 | 4.27 | 1.48 |
| 5 | All stocks (61) | 143.12 | -0.26 | 143.49 | 1.49 | 4.39 |
| | Index-Linked | | | | | |
| 6 | Up to 5 years (2) | 183.53 | -0.18 | 183.81 | 0.26 | 1.92 |
| 7 | Over 5 years (12) | 172.85 | -0.31 | 173.39 | 0.62 | 1.72 |
| 8 | All stocks (14) | 173.14 | -0.29 | 173.64 | 0.57 | 1.75 |
| 9 | Debs & Loans (65) | 127.24 | -0.34 | 127.68 | 1.87 | 3.81 |

| | AVERAGE GROSS REDEMPTION YIELDS | | Thu Apr 22 | Wed Apr 21 | Year ago (approx.) |
|---|---|---|---|---|---|
| | British Government | | | | |
| 1 | Low | 5 years | 7.00 | 6.91 | 8.38 |
| 2 | Coupons | 15 years | 7.91 | 7.87 | 9.06 |
| 3 | (0%-7¾%) | 20 years | 8.15 | 8.11 | 9.08 |
| 4 | Medium | 5 years | 7.28 | 7.20 | 9.34 |
| 5 | Coupons | 15 years | 8.32 | 8.29 | 9.18 |
| 6 | (8%-10¾%) | 20 years | 8.46 | 8.43 | 9.07 |
| 7 | High | 5 years | 7.51 | 7.42 | 9.56 |
| 8 | Coupons | 15 years | 8.61 | 8.55 | 9.21 |
| 9 | (11%- ) | 20 years | 8.68 | 8.62 | 9.15 |
| 10 | Irredeemables(Flat Yield) | | 8.56 | 8.50 | 9.20 |
| | Index-Linked | | | | |
| 11 | Inflation rate 5% | Up to 5yrs. | 2.36 | 2.30 | 4.00 |
| 12 | Inflation rate 5% | Over 5 yrs. | 3.50 | 3.48 | 4.52 |
| 13 | Inflation rate 10% | Up to 5 yrs. | 1.42 | 1.35 | 3.26 |
| 14 | Inflation rate 10% | Over 5 yrs. | 3.31 | 3.29 | 4.33 |
| 15 | Debs & | 5 years | 8.88 | 8.77 | 10.73 |
| 16 | Loans | 15 years | 9.44 | 9.38 | 10.55 |
| 17 | | 25 years | 9.62 | 9.58 | 10.42 |

Continuing pressure on UK margins following devaluation of sterling

# Albert Fisher shows advance to £25m

By Andrew Bolger

MR STEPHEN Walls has become full-time executive chairman of Albert Fisher, the food processing and distribution group.

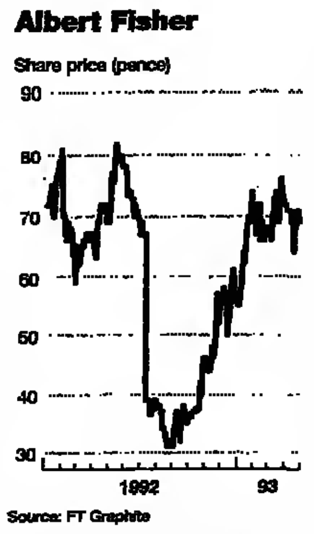
The announcement accompanied the interim figures which disclosed a pre-tax profit of £25m.

Mr Walls became non-executive chairman in July after the sudden departure of Mr Tony Millar following a profits warning. Mr Millar built the company by acquisition into one of the stock market stars of the eighties.

The profit covered the six months to February 28 and compared with a restated £17m last time. The shares, which fell from 82p last May to a low of 31p in August, yesterday dipped 2p to 69p.

Sales slipped from £608m to £599m. Mr Walls said: "We have yet to see any significant impact of an upturn in the UK economy on our markets, with continuing pressure on margins following the devaluation of the pound.

"As we anticipated, the over supply of fresh produce has continued to overhang the market in Europe which, when linked to the recession now prevalent throughout Europe, continues to create very difficult marketing conditions.



Source: FT Graphite

However, the first signs of improvement in the North American market are evident, particularly in our south-east region."

The European fresh produce division suffered most, with operating profits down from £7m to £942,000. German trading was hit by recession and low banana prices. In the UK, an exceptional European apple crop continued to overhang the market, while on the Continent the large Spanish citrus crop and reduced demand led to severely depressed margins.

The apple glut also affected the European food processing division, which saw operating profits fall from £13.7m to £9.72m. The juice and concentrates business of Mondi Foods suffered from the apple surplus and fruit supply problems from eastern Europe.

The European seafood business was the group's star performer. An improved harvest of cockles and mussels helped increase operating profits from £5.41m to £9.44m.

The North American fresh produce operations saw operating profit fall from £6.69m to £5.08m. Although market conditions remained depressed at the beginning of the period, with margins still under pressure, there were first signs of recovery early this year.

The group also announced that it has sold Grossman, a US distributor of paper and plastic disposable products, to the US distribution arm of Bunzl, the UK paper company, for about $10m (£6.4m).

Mr Walls said the group would continue to seek better synergy among its activities, increase efficiency and strengthen its market position – particularly in areas which offered higher margins than pure commodity businesses.

Earnings per share increased from 1.19p to 2.66p. The interim dividend is held at 1.85p.

See Lex


Ashley Ashwood

Stephen Walls: appointed full-time executive chairman

# Restructuring costs hold Etam to 3% improvement

By Roland Rudd

THE ABSENCE of defence costs helped Etam, the fashion retailer, to report a 3 per cent increase in pre-tax profits for the year ended January 30.

Profits rose from £10.7m to £10.9m on increased sales of £221m (£213m).

Last year Etam spent £1.2m on successfully repelling a 185p a share bid from Oceana Investment Corporation of South Africa, which acquired a 34 per cent stake. Etam's shares yesterday rose 10p to 228p.

Operating profits slipped to £11.8m (£11.9m). Mr Keith Miles, finance director, said: "I hoped it could have been a better year but we are only just coming out of the recession."

Mr Miles criticised the decision of Oceana to show 34.4 per cent of the company's profits as its own. "They should not have equity accounted since they have no influence on us whatsoever."

Equity accounting requires a shareholder to have "significant influence" over the company in which it has a holding. Etam has refused Oceana's request for boardroom representation.

Etam, which caters for women and girls, is getting out of its loss-making mens' wear division which accounted for less than 5 per cent of sales. This resulted in a £431,000 restructuring charge.

The loss on disposal of fixed assets, which included withdrawing from a shop with high rent, was £752,000 (£552,000).

Capital expenditure increased to £12.6m (£3.1m) while net assets rose to £76.1m (£73.9m).

Earnings per share were 10.29p (9.42p). The proposed final dividend is raised to 5.25p giving an increased total of 6.9p (6.6p).

● COMMENT

Etam had taken the precaution of making sure its somewhat disappointing results came as no surprise. The difficult second half led to higher markdowns, resulting in lower operating profits. The future looks more promising. It has now taken a number of steps to improve the bottom line, including closing the loss-making mens' wear operations and withdrawing from a shop charging an exorbitant rent. With continuing uncertainty in South Africa, Oceana is unlikely to sell its 34.4 per cent stake, which is just as well for Etam since it would not want it sold to a UK predator. With the end of the recession in sight the group is forecast to make full year pre-tax profits of £14.5m, giving earnings per share of 13.9p. The shares look fairly priced on a prospective multiple of 16.2.

# Sprait seeking new strategy

By Philip Coggan, Personal Finance Editor

SAVE & PROSPER Return of Assets Investment Trust is asking shareholders for approval to alter its investment strategy and change its name to the Fleming Geared Income & Assets Investment Trust.

Sprait was founded in 1984 to invest in fixed proportions of three unit trusts, also managed by Save & Prosper. It has a split capital structure, with ordinary and participating preferred shares, and warrants.

The preferred shares initially paid a 7 per cent dividend, which will increase by 0.7p per year until 1995. When the trust is wound up, sometime between 2008 and 2010, the preferred shares will receive 100p, plus 10 per cent of the growth in assets.

The nature of the preferred shares means that the return to ordinary shareholders is highly geared to assets and dividend growth.

Things went well during the 1980s when assets and dividends achieved strong growth. But in the 1990s recession, many companies have cut their dividends and this has led the unit trusts in which Sprait invests to plan cuts in their distributions.

The result will be a substantial cut in the earnings attributable to the ordinary shares, with the managers estimating that earnings per share will fall from 6.3p in the year to end May 1993 to 0.5p the following year.

However, the trust is unable to take any action to mitigate this problem because of the fixed nature of the investment policy.

Accordingly, the board proposes that the trust should cease to invest in unit trusts and should invest directly in equities. The board believes that this change will give the trust flexibility, enhance prospects for capital and dividend growth and reduce the expected fall in earnings per share.

The directors expect to maintain the total dividend on the ordinary shares at 7.6p this year and, if the proposals are implemented, expect to pay a dividend of 2p next year.

# Spring Ram attracts critics

By Jane Fuller

SPRING RAM, the kitchens and bathrooms group, finally brought out its annual report and accounts yesterday, with several more items under the "notes to the accounts" heading.

The document was read with particular interest by analysts, because the group blamed its sharp fall in 1992 profits – the first setback since its flotation in 1983 – on a change in accounting policies and pressure for a conservative approach.

The report includes a proposal that Arthur Andersen be reappointed as auditors on May 21.

The board had engaged in much haggling with the accountancy firm prior to bringing out a pre-tax profit figure of £28.2m, a third less than expected.

The extra work earned Andersen higher auditing fees of £170,000 (£140,000) and an additional £391,000 (£136,000) on non-audit fees.

A few of the new notes, however, were criticised by analysts for not showing 100 per cent conservatism: for instance, the carrying forward of some marketing and business development costs and the capitalising of interest on some investment in fixed assets.

There was also quibbling over the group's claim to having year-end net cash of £10m, because the figure excluded £4.74m owed in non-bank loans and £6.53m in bills of exchange.

Mr Stuart Greenwood, the finance director who has resigned over accounting controversies at the group but will stay on until a replacement is found, said these items were partly to do with tax and partly trade credit.

On the accounting policy questions, he commented: "Some would say not everything is conservative, but I think the accounts are substantially prudent."

# Clark's shareholders urged to reject Shoes

By Maggie Urry

SHAREHOLDERS in C&J Clark, the private shoe company which has received a takeover proposal from Berisford International, the property and food group, were yesterday sent a letter from a group of shareholders urging serious consideration of the bid.

The letter is from Mr Hugh Clark, Mr Michael Clark and Mr David Edwards, and is in part a response to a letter from Shoes, a group of "shareholders opposed to enforced sale". The three say that the acronym is misleading as the sale depends on a vote of shareholders and is not "enforced".

It also condemns Shoes for recommending rejection of the bid without putting forward "a deliverable alternative".

Shoes also published a letter yesterday strongly recommending shareholders not to vote for the bid and promising a fuller letter next week containing details of what it considers to be a viable alternative.

Shareholders will vote on the future ownership of Clark at an extraordinary meeting on May 7. Before them will be a resolution to sell the company's business and assets to Berisford.

If that is passed Berisford will make an offer worth 213p in cash, shares or loan notes, and a further 26p of cash to be raised from the sale of surplus properties. If the offer fails to win 90 per cent acceptances, Clark can revert to the plan of selling the business to Berisford.

# Yorklyde share price jumps 25p

Shares in Yorklyde jumped 25p to 408p yesterday as the fine woollen and worsted cloth maker announced a 45 per cent growth in pre-tax profits and a 1-for-1 scrip issue.

On turnover ahead 18 per cent at £13.3m (£11.3m) profits for the year to January 31 rose from £1.52m to £2.2m.

Earnings improved to 31.2p (21.2p). The final dividend is 6.4p for a total of 10.4p (9.7p).

## DIVIDENDS ANNOUNCED

| | | Current payment | Date of payment | Corres - ponding dividend | Total for year | Total last year |
|---|---|---|---|---|---|---|
| Abtrust New Euro | fin | 0.3 | July 9 | 0.3 | 0.3 | 0.3 |
| Austin Reed | fin | 3 | July 1 | 3 | 5 | 6 |
| Etam | fin | 5.25 | July 2 | 5.1 | 6.9 | 6.5 |
| Exmoor Dual Tst | int | 2.6‡ | June 7 | 2.6 | - | 10.55 |
| Fisher (Albert) | int | 1.85 | July 15 | 1.85 | - | 3.75 |
| Govett Strategic | int | 2.65 | June 18 | 2.65 | - | 6.75 |
| Liberty | fin | 5.35 | May 28 | 5.35 | 7.2 | 7.2 |
| Low (William) | int | 2.7 | June 4 | 2.7 | - | 8.4 |
| Proudfoot (Alex) | fin | 6 | July 7 | 13.5 | 12 | 19.5 |
| R&M Geared | fin | 3.325 | June 18 | 3.325 | 7.525 | 7.525 |
| Wembley | fin | nil | - | 0.9 | 0.2 | 1.8 |
| Yorklyde | fin | 6.4 | July 1 | 5.7 | 10.4 | 9.7 |

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡Making 5.1p to date.

# Wembley deficit widens to £12m

By Richard Gourlay

WEMBLEY, owner of the north London stadium, fell further into losses last year weighed down by the cost of its high debt and a stagnant market.

Pre-tax losses rose from £8.4m to £12m on sales up 13 per cent at £191.4m. Losses per share fell from 7.9p to 5.9p after adjusting for the bonus element of the rights issue in February last year.

The board is not recommending a final dividend and does not anticipate making a payment until there is "significant" improvement in profitability.

Wembley also revealed the identity of the investor group behind Orpington Investments, which has appeared on the share register with an 11 per cent stake after buying part of the 16 per cent stake owned by United Dutch.

The group is Rolaco Holdings, a Swiss-based company that has stakes in companies like the Kempinski hotel group and Club Mediterranee.

United Dutch, once Wembley's largest shareholder, filed for bankruptcy protection in the Netherlands in March.

Sir Brian Wolfson, chairman, said trading conditions had remained tough in 1992. The group would be re-focusing on the management of other international venues.

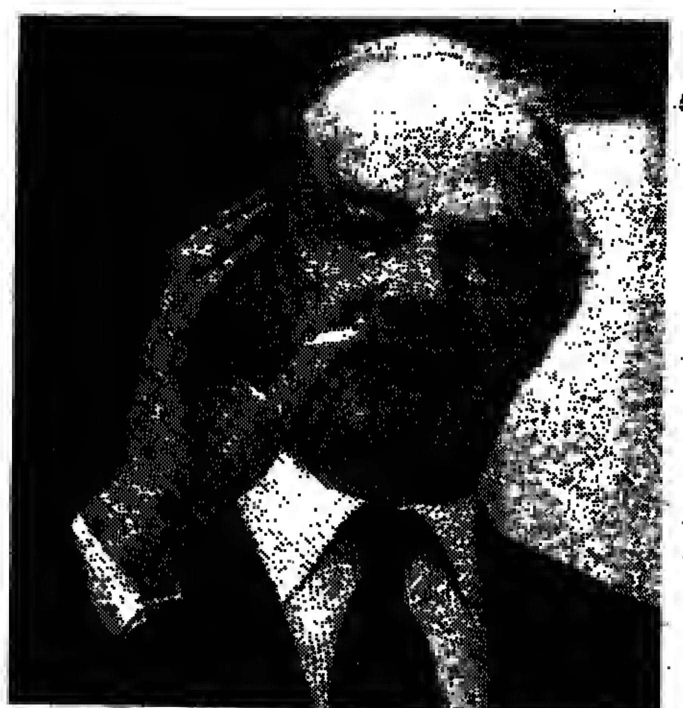
Interest charges fell to £14.4m (£15.9m) as rates declined and debt was repaid. But with £140m (£160m) of debt gearing is 80 per cent in spite of the rights issue.

Wembley also took a £13.4m exceptional charge for the costs of restructuring and refinancing the bank debt. There were also £21.3m of extraordinary charges relating to losses on sale of assets.

At the trading level profits grew 5 per cent to £15.8m. At the stadium complex, profits rose to £6m (£4.3m). Perimeter advertising in the stadium fell, however, and the Arena held only 148 events compared with 180 in 1991. Greyhound racing profits fell to £5.4m (£7.9m).

● COMMENT

Nobody could ever accuse Sir Brian Wolfson of lacking enthusiasm. Unfortunately, with the exception of the upgrading of the core stadium complex, many of his group's ventures have been less than successful. Hence gearing of 80 per cent and the current focus on asset disposals. It must come as some relief, therefore, that Wembley's latest efforts focus on leveraging the Wembley name by bidding to manage other people's stadiums – an activity that should not require a great deal of capital. In the absence of a really strong recovery in the UK, the area offers a dim but nevertheless real ray of hope. The real question remains whether Wembley can reduce its debt. For this it requires the sale of the US greyhound operation, unfortunately dogged last year by an outbreak of kennel cough. Without such sales, Wembley will remain a speculative play, caretaker of one the UK's most recognisabla assets but perilously close to the banks' problem lists.



Sir Brian Wolfson: Trading conditions remained tough

Despite 24% rise, shares fall 17p on worries about competition from discount stores

# Wm Low ahead as margins improve

By Angus Foster

WM LOW, the Dundee-based food retailer, yesterday announced a sharp rise in interim profits and said it had restored its margins from the disappointing levels of a year ago.

Pre-tax profits increased 24 per cent, from £8.82m to £10.9m, in the 28 weeks to March 20.

The increase reversed the first half decline last year, which was blamed on lower gross margins and rising branch costs.

Despite the increase, the shares fell 17p to 208p on worries about competition from discount stores and rising costs. Mr Philip Spicer, who took over as chief executive last year, said both fears had been overdone.

"Competition is competition, but you've got to fight it. Our stores are trading extremely well," he said.

Turnover increased by 8.4 per cent to £240m. Most of the increase was due to new store openings, although like-for-like sales increased by 1.5 per cent.

Operating profits improved 31 per cent to £11.6m, raising operating margins nearly 1 percentage point to 4.8 per cent.

Capital expenditure was £19m and is expected to total £41m (£44.3m) for the full year.

Net borrowings at the period end stood at £52.9m, compared with the year end figure of £37.9m. Mr Spicer said that, with the company's expenditure programme peaking this year, gearing would end the year at its present level of 33 per cent.

Some £1.39m of interest costs on property developments were capitalised.

Fully diluted earnings increased by 19.7 per cent to 12.01p (10.03p) per share.

However, the interim dividend is unchanged at 2.7p.

● **COMMENT**

After last year's damaging interim performance, Wm Low must have hoped yesterday's figures would silence its sceptics. The share price fall suggests otherwise, and there are now fears for the second half outlook for margins. Some of the worries – the impact of discount retailers, for example – may have been overdone. But Wm Low's older stores remain vulnerable and, with groups like Sainsbury and Kwik Save expanding in Scotland, the stock market has plenty to twitch about in the longer term. Full year profits of £22.5m put the shares on a multiple of 8, a discount to the sector. Although yesterday's selling may have been excessive, concerns about the company's size and store portfolio will keep a lid on its rating.

# Alexander Proudfoot halved to £25m

By Angus Foster

ALEXANDER Proudfoot, the management consultant which saw its shares collapse last year on trading and management worries, yesterday announced profits down by nearly 50 per cent due to recession and one-off costs.

Pre-tax profits fell from £50.1m to £25.2m in the year to December 31. At the interim stage profits fell from £23.8m to £12m; Proudfoot said then that the full year dividend would be maintained, but yesterday it changed its mind and recommended a cut in the final from 13.5p to 6p, reducing the total to 12p (19.5p), payable from earnings of 16.3p (51.6p) per share.

Mr John Prosser, who was appointed group chief executive last year after a management shake-up, said the dividend cut reflected the company's caution. "Trading conditions will continue to be difficult in 1993," he said.

Turnover was £172.4m (£176.4m), including a full year's contribution from Indevo, the Swedish consultant acquired in 1991. Excluding Indevo, turnover fell 6 per cent to £158m.

Indevo has continued to lose money, and Proudfoot has decided to close the company down. This will lead to an exceptional charge this year of about £17m, reflecting closure costs of £1.8m and goodwill write-offs of £15.2m.

Management reorganisation costs totalled £3m. A previously announced provision of £6m to cover unpaid overseas tax has been reduced to £2.3m.

Losses in Scandinavia led to an increased tax charge of 54 per cent (36 per cent).

After several senior management departures last year, three more directors – including former finance director Mr Neil Hamilton – announced they will stand down at the annual meeting due next month. Mr David Gill will join the company as finance director from Avis Europe. Mr Prosser said Lord Stevens would stay on as chairman.

# Liberty declines to £3.66m and chief divides roles

By Maggie Urry

LIBERTY, the retail and wholesale group, yesterday reported a fall in pre-tax profits from £5.66m to £3.66m in the year to January 30. However, the recommended final dividend is maintained at 5.35p to give an unchanged total of 7.2p.

Mr Harry Weblin is to split the roles of chairman and chief executive, handing on the latter job to Mr Patrick Austen. He will start work on May 1, coming from BTR where he ran the consumer products business.

Liberty came under pressure last year from a South African investor group, headed by Mr Brian Myerson, which holds 15.77 per cent of the voting shares.

Mr Weblin said the appointment of a chief executive had taken account of last year's events, but was mainly because he was 63 and approaching retirement. Two non-executives were appointed recently.

Mr John Pugh, the finance director, said that since an extraordinary meeting last summer, at which Mr Myerson called for changes to the board and the enfranchisement of non-voting shares, he had become a "constructive shareholder".

Mr Myerson said he supported the appointments made. He said the question of enfranchisement would be raised at the annual meeting next month. Mr Pugh said that under 30 per cent of Liberty's shares were non-voting. "Our voting holders own the company as well as control it."

Trading conditions had been bleak in 1992, Mr Weblin said, but the outlook for 1993 was better. Wholesale operations were being affected by recession in export markets, such as France, and so far in 1993 wholesale sales were running below last year's levels. Retail sales were ahead, especially in the London store.

In 1992-93 group sales were slightly lower at £82.4m (£84.9m) mainly because of a 20 per cent drop in converting and wholesaling sales to £18.1m.

Trading profits fell 38 per cent to £3.94m. However, the interest charge was lower at £283,000, against £696,000. A higher tax rate cut earnings per share by 56 per cent to 9.05p (20.77p), still covering the dividend.

# Management team to take over French radio network

By Raymond Snoddy

A CONSORTIUM led by management and including Hambros Bank is set to take over FRM, the French radio network whose losses brought down Crown Communications, the UK broadcasting group.

Crown went into receivership in January with debts of £16m.

Its main asset, London Broadcasting Company, floated clear and effective control passed to Chelverton Investments, whose main shareholders are Mr Matthew Cartisser and Mr John Porter.

The CSA, the French regulatory authority, has chosen the management team led by Mr Andrew Manderstam, who has been running the network since Crown took control in 1989, as the most appropriate owners.

Two other bids were rejected: one from Mr Albert Cohen's Nostalgie and the other from NRJ, the radio network which has been trying to buy FRM from some time.

The decision by the CSA to block a sale by Crown to NRJ triggered the receivership of the British company that once was the darling of the Unlisted Securities Market.

The Manderstam-led consortium, backed by Hambros European Ventures, is expected to make an offer for Crown's stake in FRM.

Arthur Andersen, Crown's receivers, will try to get as much as possible for the stake.

The radio network links 114 stations and goes under the slogan: "Tous les tops, toute la Pop, sans les flops" (all the tops, all the hits and none of the flops.)

Throughout the drama FRM has remained on the air.

# Brasway acquires hose maker for up to £2.6m

BRASWAY has purchased Winster Hose for a maximum £2.6m cash, including repayment of external debt, following its recent withdrawal from the tube industry through the sale of a subsidiary for £3.4m.

With the announcement Brasway said that its pre-tax profit for the year to May 1 would only reach break even before exceptional items, including the profit on the sale of Brasway Tube. In 1991-92 profit was £1.25m.

The effects of inconsistent demand and increasing pressure on margins had "far outweighed" savings achieved from cost reductions, directors explained. At mid-term the profit had plunged to £330,000 (£708,000).

The purchase is part of the strategy to develop the higher added value Europower business. Winster makes hoses, couplings and assemblies for the mining, agriculture and construction industries.

In the year to June 30 1992 it made an operating profit of £42,000 on sales of nearly £11m, but a pre-tax loss of £234,000.

# Aberdeen Petroleum threatens liquidation

DIRECTORS of Aberdeen Petroleum yesterday threatened to liquidate the company and distribute proceeds to shareholders if they failed to secure a higher bid than the current offer from Pittencrieff.

USM-quoted Aberdeen said it had received proposals, subject to contract, to purchase all of its oil and gas assets.

Responding to the offer document from the acquisitive natural resources and communications company, Mr David Hooker, Aberdeen managing director, said: "The offer is cheap and Pittencrieff clearly must reconsider its position. We shall continue to solicit a superior offer."

He thought liquidation would give shareholders cash of more than 18p per share. The 15.2p per share offer from Pittencrieff did not fairly value its assets, which Aberdeen said had a realisable value above 20p per share.

Pittencrieff holds 26.6 per cent of its target, shares in which closed unchanged at 15½p. Pittencrieff shares were unchanged at 373p.

# Regent Inns set for market

By Philip Rawstorne

REGENT INNS, which operates 38 public houses in London and the home counties, yesterday announced plans for a full stock market listing.

It is raising £6.16m in a share placing and open offer, giving it a market capitalisation of £19.8m.

Mr David Franks, managing director, will retain a 15.9 per cent stake in the company, worth £3.15m at the issue price of 135p a share.

A chartered accountant, Mr Franks invested £20,000 in his first pub in 1977. When that was sold three years later he used the proceeds to acquire Regent Inns, which then had six outlets. He expanded the company to 17 pubs before merging it with Lockton Inns, a BES company in 1988.

The group, which has developed a diverse rather than themed estate, aims to expand to about 80 outlets over the next five years.

It has increased pre-tax profits from £512,000 in 1990 to £974,000 last year and is forecasting not less than £1.31m for the current year to July 3.

# Xenova in deal with Suntory

By Clive Cookson, Science Editor

SUNTORY, the Japanese drinks and drugs group, is to invest $15m (£9.9m) in a research and development collaboration with Xenova, the UK biotechnology company.

The agreement, which involves Suntory paying $12m in fees and buying $3m worth of Xenova shares, is to develop drugs for immune-inflammatory diseases – particularly rheumatoid arthritis. Xenova has similar R&D collaborations in other medical areas with Roche of Switzerland and Genentech, Genzyme and Warner-Lambert of the US.

The basis of Xenova's work is its collection of fungi and bacteria – now containing 24,000 species – combined with its proprietary drug screening technology. The company has raised £39m from investors since its formation in 1987.

Japanese companies are showing increasing enthusiasm for the UK biotech industry. Japan Tobacco has an equity stake and R&D collaboration with British Bio-technology.

## Abtrust New European static

Over the 12 months to February 28 1993, net asset value of Abtrust New European Investment Trust was unchanged at 77.5p. In February the portfolio was refocused to replicate the FT-SE Eurotrak 100 index. Since then the underlying portfolio had matched the performance of that index.

The asset value included unlisted investments.

Total income in 1992-93 came to £735,000 (£717,000). Earnings per share worked through at 0.53p (0.48p). The dividend is maintained at 0.3p.

## R&M Geared Trust

River & Mercantile Geared Capital and Income Trust 1999 lifted net asset value per preferred capital share from 24.43p to 32.15p in the year to March 31. Income share value rose from 57.35p to 66.66p. The dividend is again 7.525p.

# Austin Reed stages recovery to £1.22m

By Maggie Urry

Tony Andrews

Barry Reed pictured at the Regent Street store

THE proposed enfranchisement of Austin Reed's non-voting shares overshadowed results yesterday which showed a recovery in pre-tax profits from £810,000 to £1.22m over the year to January 31 after a loss at the interim stage of £430,000.

The group, chaired by Mr Barry Reed, saw sales from continuing businesses little changed at £58.7m (£58.6m), though in total there was a fall from £65.8m.

The profit recovery was after a fall in interest charges to £1.65m (£2.44m) and the absence of an exceptional charge (£633,000). But profits in the comparable period included an unquantified contribution from businesses sold.

A maintained final dividend of 3p is proposed, for a total of 5p (5p). Earnings per share were 3p (0.7p).

Mr Chris Thomson, finance director, said the dividend decision signalled the board was sufficiently encouraged by an improvement in trading to pay an uncovered dividend. He said the spring season had started better.

The proposal to enfranchise the 90.5 per cent of shares which do not have votes will be put to the annual meeting in June. Holders of voting shares will be offered a 1-for-1 scrip in compensation, effectively doubling their dividend entitlement. However, they will have only 17.3 per cent of the votes in the enlarged share capital.

Mr Thomson said the proposal had been entirely at the company's instance and did not result from pressure from shareholders. While the group is not planning a rights issue, moving to a unified share structure would help the company to take opportunities.

He said Austin Reed had worked hard to get the balance sheet into shape, had cut costs and sold non-core businesses. It had come through recession and had a new chief executive. Now it had the infrastructure to cope with more activity than it could grow organically, and bolt-on acquisitions or partnerships could be in prospect.

The balance sheet showed net debt down from £11.2m to £8.3m. However, a reduction in property values from £29m to £17m, and a transfer from reserves of £563,000 (£1.5m) cut shareholders funds to £40.5m (£53.2m) leaving gearing little changed at 20.4 per cent.

# Smiths Inds continuing to reduce activities in avionics

By Andrew Bolger

SMITHS Industries is continuing to cut its traditional core activity of supplying avionics and components for civil and military aircraft. The company is currently earning more profits from medical products than aerospace.

Mr Roger Hurn, chairman and chief executive, said he expected civil aviation to recover in the second half of the decade, but could not predict when.

Smiths has accordingly continued to reduce its aerospace workforce, cutting 200 jobs in both the UK and the US in the six months to January 30. This leaves the total workforce at 6,000, split equally between both countries.

The company, which this week reported a decline in interim pre-tax profits from £44.3m to £40.3m, spent £122m on acquisitions outside aerospace.

The pre-tax figure was depressed by a £3m provision to cover an unsuccessful investment in a device for measuring blood pressure.

Mr Hurn said: "All parts of the company have shown a resilient performance in this first half, and we expect to achieve steady progress in the remainder of the year and beyond."

The aerospace division's trading profits fell from £18.2m to £13.9m, on sales down from £184m to £175m.

The downturn was offset partly by the rapidly expanding medical systems division.

This area increased trading profits from £11.6m to £16.1m on turnover which advanced from £63.8m to £84.8m.

Industrial, the group's third division, increased trading profits from £8m to £8.6m in spite of being exposed to the worst effects of the recession. Sales increased from £59.6m to £68.4m.

The division's ducting companies, in particular Flexible Technologies, the US acquisition now in its second year with the group, had performed well.

Smiths also said that Vent-Axia, the fans and hand driers maker bought for £56m in December, had proved a natural fit.

In medical systems, Smiths paid £16m for HG Wallace of Colchester in July and £66m for Intertech Resources of Florida in October.

Both companies manufacture single-use products, mainly in the field of anaesthesia and respiratory products, and have been integrated with the existing businesses.

Mr Hurn said he would be willing to borrow to make further acquisitions if the right opportunities arose.

Prices for electricity determined by the operation of the electricity pooling and settlement arrangements in England and Wales

| 1/2 hour ending | Pool purchase price £/MWh | Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | [illegible] | [illegible] | 18.01 |
| 0100 | [illegible] | [illegible] | 18.13 |
| 0130 | [illegible] | [illegible] | 23.91 |
| 0200 | [illegible] | [illegible] | 23.88 |
| 0230 | [illegible] | [illegible] | 23.88 |
| 0300 | [illegible] | [illegible] | 18.11 |
| 0330 | [illegible] | [illegible] | 18.06 |
| 0400 | [illegible] | [illegible] | 17.84 |
| 0430 | [illegible] | [illegible] | 17.56 |
| 0500 | [illegible] | [illegible] | 17.56 |
| 0530 | [illegible] | [illegible] | 17.64 |
| 0600 | [illegible] | [illegible] | 17.84 |
| 0630 | [illegible] | [illegible] | 17.59 |
| 0700 | [illegible] | [illegible] | 18.01 |
| 0730 | [illegible] | [illegible] | 25.74 |
| 0800 | [illegible] | [illegible] | 25.99 |
| 0830 | [illegible] | [illegible] | 25.70 |
| 0900 | [illegible] | [illegible] | 25.97 |
| 0930 | [illegible] | [illegible] | 30.92 |
| 1000 | [illegible] | [illegible] | 30.91 |
| 1030 | [illegible] | [illegible] | 30.92 |
| 1100 | [illegible] | [illegible] | 29.88 |
| 1130 | [illegible] | [illegible] | 29.88 |
| 1200 | [illegible] | [illegible] | 29.88 |
| 1230 | [illegible] | [illegible] | 28.27 |
| 1300 | [illegible] | [illegible] | 27.08 |
| 1330 | [illegible] | [illegible] | 25.71 |
| 1400 | [illegible] | [illegible] | 25.64 |
| 1430 | [illegible] | [illegible] | 18.82 |
| 1500 | [illegible] | [illegible] | 18.35 |
| 1530 | [illegible] | [illegible] | 18.85 |
| 1600 | [illegible] | [illegible] | 18.35 |
| 1630 | [illegible] | [illegible] | 25.56 |
| 1700 | [illegible] | [illegible] | 25.38 |
| 1730 | [illegible] | [illegible] | 26.22 |
| 1800 | [illegible] | [illegible] | 28.21 |
| 1830 | [illegible] | [illegible] | 28.20 |
| 1900 | [illegible] | [illegible] | 31.32 |
| 1930 | [illegible] | [illegible] | 31.28 |
| 2000 | [illegible] | [illegible] | 31.30 |
| 2030 | [illegible] | [illegible] | 29.76 |
| 2100 | [illegible] | [illegible] | 25.48 |
| 2130 | [illegible] | [illegible] | 25.49 |
| 2200 | [illegible] | [illegible] | 25.50 |
| 2230 | [illegible] | [illegible] | 23.44 |
| 2300 | [illegible] | [illegible] | 18.01 |
| 2330 | [illegible] | [illegible] | 17.55 |
| 2400 | [illegible] | [illegible] | 17.54 |

OMAC Settlements Limited





NEWS DIGEST

## Newarthill cuts losses to £21.5m

LOSSES AT Newarthill, the family-controlled holding company for the civil engineer Sir Robert McAlpine, were halved from £42.8m to £21.5m in the year to October 31.

Turnover fell to £267.8m (£463.6m). The loss was £11.8m (£15.7m) to which was added provision for loss in partnership development £5.56m (£25m), redundancy costs £2.99m (£2.13m), Australian restructuring costs £430,000 and exchange differences £708,000.

Directors said the core business held up satisfactorily, returning a trading profit before the exceptional costs of slimming down the organisation.

In the current year the group had obtained new contracts above targeted expectation, with an increasing percentage of civil engineering work, and was continuing to receive "a healthy volume" of inquiries.

## Marine Midland Banks improves

First quarter net earnings of Marine Midland Banks, the US subsidiary of Hongkong and Shanghai Bank, surged from $2.6m to $34m (£22.5m).

No provisions were made for loan losses, against $40.5m for the opening quarter of 1992. Non-accruing loans were 40 per cent lower than a year ago and the quality of Marine's classified loans continued to improve significantly.

## Savage faces possible bid

Savage Group, the USM-quoted hardware supplier, is facing a possible bid.

Following the rise in the shares, which closed yesterday at 68p, up 19p, the company was forced to make an announcement that it was involved in talks.

Last month it reported pre-tax profits for the six months to December 31 ahead 19 per cent at £1.04m on turnover of £32.9m.

## Net assets jump at Govett Strategic

Govett Strategic Investment Trust had a net asset value, after taking prior changes at par, of 270.8p per share at March 31, an advance of 23 per cent on the 219.3p at the same stage of 1991.

Attributable revenue for the six months to end-March amounted to £3.54m, down from £4.21m last time. The interim dividend is maintained at 2.65p, payable from earnings of 3.59p (4.28p) per share.

## Exmoor Dual issues dividend warning

At February 28, net asset value per ordinary share at Exmoor Dual Investment Trust had fallen to 32.2p, from 59.2p a year earlier. Per income share, the value was 61.1p (61p).

For the six months to end-February gross revenue totalled £784,000 (£745,000). Earnings per income share came to 5.78p (5.32p) and the second interim dividend is 2.6p for an unchanged 5.1p to date.

The directors forecast a maintained total of 10.55p for the year, but warned that a reduction was likely for the following year.

## United Energy back in black with £0.06m

A turnround from net losses of £127,000 to profits of £58,000 was announced by United Energy, the USM-quoted oil and gas production company, for 1992.

Mr John Billington, chairman, said that AmBrit International had been fully integrated into the group and the savings in overheads envisaged at the time of the takeover had been achieved.

Turnover improved from £377,000 to £2.79m with average oil production at 820b/d. Earnings per share amounted to 0.2p (1p losses).

## First Maryland improves

Increased non-interest income and favourable interest rates were behind an improved performance at First Maryland Bancorp, the US subsidiary of Allied Irish Banks.

The first quarter to March 31 saw net income rise from $20m to $28.5m (£18.8m). Return on average assets increased to 1.27 per cent (0.9 per cent) and return on average equity was 16.2 per cent (13.04 per cent).

Shareholders' funds increased to $721.7m ($621.8m).

## JOBS: Advertised demand remains on the downpath for most types of executive staff in Britain

# The hoped-for sparklers fail to show

WHEN it comes to conjuring up mental visions of terror, the poet Samuel Taylor Coleridge had few equals let alone betters. As an example, witness the picture he draws, in The Rime of the Ancient Mariner, of:

*...one that on a lonesome road*
*Doth walk in fear and dread,*
*And having once turned round walks on,*
*And turns no more his head:*
*Because he knows, a frightful fiend*
*Doth close behind him tread.*

All of which suggests the horror Coleridge must have felt at the spectre of his country being run by a certain set of people. Those he had in mind – and beside whom, he said, "the worst form of aristocracy would be a blessing" – were "a contemptible democratical oligarchy of glib economists".

Fortunately, although economists have bred copiously in Britain since his death in 1834, they haven't quite taken full control of the country yet. In the meantime, however, Brits who believe their economy is now recovering from recession might like to ponder the implications of a lesser spectre: that of industry and commerce eventually being run by computing specialists in harness with sales and marketing folk.

After all, portents of said development are to be found in the table alongside. As on previous occasions, it gives the results over the past five years of the MSL International consultancy's counts of jobs for managers and higher-ranked specialists which are advertised in the United Kingdom's weightier journals. Each post so offered is counted as just one, no matter how many times the ad for it appears in various organs.

The upper part of the table focuses on the 12-moothly period to March 31, showing first the number of advertised openings in eight broad categories of executive-level work, then the total. Below that come the all-categories tallies for each quarter of the period.

Now in all the years I have been reporting MSL's figures, I'd never been keener to see the latest three-monthly count. The reasons were twofold, the first dating back to six months ago.

It was then that, after what seemed like ages of unrelieved decline in every niche of the advertised market, a bright spot suddenly appeared. Demand in the *sales* and *marketing* category, having repeatedly plumbed ever lower depths, rose by comparison with the 12 months before. The next tally which came three months ago showed not only that the said rise was continuing, but that it had been joined by an upturn in computing.

With those two improvements in the bag, my second reason for being eager to see the latest figures lies in the seasonal pattern the counts have taken since the consultancy began them in 1959. Almost always, January-March has been the best quarter for demand in the calendar year. So I was expecting to find plus-signs also sparkling beside further categories of work.

Alas, as may be seen, they have not appeared. Hence, if UK industry and commerce are emerging from recession, they are evidently doing same without need to advertise for supplies of any executives except computing, and sales and marketing types.

That has not stopped MSL's chief executive Garry Long from greeting the count with glad heart. Focusing on the jump between the two latest quarters, from 2,936 posts of all types in October-December to 3,955 in January-March, he says: "These figures are particularly encouraging because they signal an increase in recruitment at managerial and executive level – a sure sign of investment for growth."

I fear I disagree. True, the quarter-to-quarter jump is marked. At 34.7 per cent, it compares with an average rise of 20.3 per cent between those same two quarters over the years since 1980. But the 3,955 is still 2.5 per cent down on the 4,058 jobs advertised in January-March a year ago, a period when the market seems likely to have been depressed by employers' anxieties about the forecast Labour win in the April election.

If so, then the at least short-term relief when the Conservatives prevailed may have released pent-up demand and distorted the seasonal pattern for 1992. Accordingly, in an attempt to adjust for same, I have traced back to 1980, comparing the January-March periods with the average for all three preceding quarters of the year before.

By that yardstick, the latest 3,955 does not represent a jump of 34.7 per cent, or indeed one of marked degree at all. It works out at 14.8 per cent against a 13-year average of 14.5.

Even so, while computing and the sales area may be the only beneficiaries of an upturn in the advertised market, there may still be a rise in recruitment of other types by different means. After all, as a result of wholesale sackings, many able executives have signed up with agencies which keep registers of available staff. So it may be that employers are filling their needs from such sources rather than by advertising until the agencies' stocks run low.

**Michael Dixon**

**UNITED KINGDOM ADVERTISED DEMAND FOR MANAGERS AND HIGHER SPECIALIST STAFF**
(12 montha to March 31)

| Category of work | 1992-3 Posts advertised | 1992-3 Change from 81-92 % | 1991-2 Posts advertised | 1991-2 Change from 90-91 % | 1990-91 Posts advertised | 1990-91 Change from 89-90 % | 1989-90 Posts advertised | 1989-90 Change from 88-89 % | 1988-89 Posts advertised | 1988-89 Change from 87-88 % |
|---|---|---|---|---|---|---|---|---|---|---|
| Research, design & development | 1,191 | -23.5 | 1,556 | -45.4 | 2,849 | -23.8 | 3,738 | -14.1 | 4,353 | +24.0 |
| Sales and marketing | 2,815 | +17.8 | 2,220 | -15.8 | 2,630 | -24.4 | 3,480 | -32.6 | 5,164 | -19.0 |
| Production | 2,096 | -15.3 | 2,476 | -42.1 | 4,278 | -26.6 | 5,823 | -20.3 | 7,309 | +17.1 |
| Accounting and finance | 2,563 | -18.5 | 3,182 | -28.7 | 4,462 | -32.3 | 6,588 | -13.3 | 7,602 | - 2.5 |
| Computing | 1,178 | +34.9 | 872 | -53.4 | 1,870 | -37.6 | 2,999 | -38.5 | 4,878 | +31.5 |
| General management | 796 | -16.5 | 953 | -21.4 | 1,213 | - 8.3 | 1,323 | -15.2 | 1,561 | - 5.9 |
| Personnel | 357 | -17.2 | 431 | -30.8 | 623 | -41.4 | 1,063 | - 4.7 | 1,115 | - 0.2 |
| Others | 3,499 | - 8.4 | 3,820 | -33.4 | 5,739 | -18.5 | 7,044 | -11.0 | 7,912 | +14.1 |
| Total over the 12 months | 14,293 | - 7.8 | 15,510 | -34.5 | 23,662 | -26.2 | 32,058 | -19.6 | 39,894 | + 6.8 |
| Quarterly counts: April–June | 4,023 | - 5.0 | 4,235 | -44.8 | 7,641 | -16.7 | 8,176 | -13.4 | 10,593 | +23.2 |
| July–September | 3,379 | - 6.9 | 3,630 | -40.8 | 6,131 | -22.0 | 7,858 | -15.8 | 9,338 | +12.9 |
| October–December | 2,936 | -18.1 | 3,587 | -32.5 | 5,316 | -19.8 | 6,627 | -26.8 | 9,048 | - 2.2 |
| January–March | 3,955 | - 2.5 | 4,058 | -11.2 | 4,572 | -45.8 | 8,397 | -23.1 | 10,915 | - 2.7 |



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# Global Derivatives Network

## *Creation of a new swaps subsidiary in London*

Our client is one of the world's largest financial institutions. It provides a wide range of services and products to its customers through a network that spans five continents. The focus of its treasury operation has been on product development and, as a result of the Bank's continuing expansion in the field of swaps and other fixed income derivatives, they now wish to establish a unit in London to complement their existing operations in both New York and Asia. Therefore, they seek a trading and marketing team, along with a systems operations and administration function. This drive to create a global network provides a rare opportunity for high calibre individuals to join this specialist operation in a variety of roles. Suitable candidates will be expected to become an integral part of this highly motivated international team.

### SENIOR SWAPS MARKETER

Suitable candidates will be responsible for the marketing of all derivative products generated by the global network to clients in the UK and Europe. An existing client base is required, but the role will also include the development and expansion of the distribution capability. Candidates will have a minimum of five years swaps marketing experience to the UK and/or Europe and proven client development skills. You should also have a strong academic background preferably in a mathematical discipline and exhibit a high degree of technical derivatives knowledge.

### SWAPS TRADER

The team will require a trader with an established record and reputation in both interest rate and currency swaps. Knowledge of other fixed income derivatives such as FRAs, ERAs, caps, floors, collars and swaptions would be desirable. The role will also encompass maintaining the global trading book, identifying trading opportunities and servicing customer enquiries. Candidates will have a minimum of three years swaps trading experience combined with a strong academic background preferably in a mathematical discipline. You should also exhibit a high degree of technical derivatives knowledge combined with an analytical and quantitative approach.

### OPERATIONS MANAGER

This role will incorporate the day to day management of operational reports and controls including liaison with the New York operations staff. Candidates, ideally degree educated, will have a minimum of five years practical settlements and operations experience at a senior level in the derivatives operations team of a major financial institution.

### FINANCIAL CONTROLLER

In conjunction with the operations manager, you will be responsible for all accounting controls for the unit. Probably professionally qualified, it is essential that you have approximately three years experience of treasury accounting, including exposure to derivative products and exhibit a high level of competence in accounting principles.

### SYSTEMS

Candidates should have the ability to manage derivative product systems and work with a minimum of supervision in order to maintain the network. You should have strong mathematical and computing skills combined with experience of utilising current techniques and software for risk management in the derivatives market. Knowledge of Unix work stations for local area networks is desirable.

**Candidates for all these positions should have the ability to work well within a team. Strong interpersonal and communication skills are prerequisites. Competitive remuneration is offered in accordance with the position and level of experience. It should be noted that individuals with an understanding of the legal and credit aspects of a swaps operation may also be required.**

MP
**Michael Page City**
International Recruitment Consultants
London Paris Amsterdam Brussels Dusseldorf Sydney

**Individuals with the drive and ambition to make a success of this new London operation and who would like to be considered for the above positions should contact Kay Ovenden either by telephone on 071 831 2000, fax on 071 405 9649 or write enclosing a full curriculum vitae, referencing the position that is of interest, to Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.**

# Fund Management

## MBAs/Business Graduates/Post Graduates

**London £40,000 Package**

Our client is a leading ERISA fund manager which provides an extensive range of passive fund management products to its broad range of US pension fund clients. An opportunity has arisen for a mature MBA/business graduate to join the firm to train as a portfolio manager.

Candidates should be graduates in an economics/ business related discipline or MBAs. However, individuals with a degree in maths/science may also be considered. Ideally you will have a sound understanding of economics and at least a theoretical understanding of equity markets preferably combined with hands-on experience in a financial environment. Naturally quick to learn, you should be both flexible and adaptable to gain the most from the training provided. A high level of interpersonal skills are as essential as mathematical skills and computer literacy.

This is an excellent opportunity for an individual to make a first move into fund management. If you wish to be considered for the role please write to **Paul Wilson,** explaining how you fit the profile, enclosing a curriculum vitae to him at **Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.**

MP
**Michael Page City**
International Recruitment Consultants
London Paris Amsterdam Brussels Dusseldorf Sydney

# Compliance Manager

## London

Our client, a leading U.S. investment firm with a global presence, is now seeking to recruit a Compliance Manager to join its Equity Compliance team. The firm is at the forefront of financial innovation and has a worldwide reputation in the equities market and their related derivatives.

The successful candidate will report to the Equity Compliance Manager and will primarily assist the Equity Division in compliance with U.K. and European legislation, SFA and exchange rules and applicable EEC and overseas legal requirements. The Equities business comprises sales, trading and new issue activity across a wide range of products including cash, derivatives, convertibles and warrants, for a range of clients including private client business.

The position will be particularly attractive to individuals of graduate calibre, possibly with a professional qualification. Candidates must have a proven track record in the compliance area or within a related regulatory environment. A good working knowledge of SFA and exchange rules is essential. Personal qualities include the strength of character and flexibility required to deal with a demanding environment.

Interested applicants should contact **Anna Williams** on 071 831 2000 or write to her including a full curriculum vitae and details of their current salary package at **Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.**

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**Michael Page City**
International Recruitment Consultants
London Paris Amsterdam Brussels Dusseldorf Sydney

# QUANTITATIVE FUND MANAGER

**A role calling for technical expertise matched by natural presentation skills**

Excellent banking package + car · London

Our client is a highly regarded fund management company dedicated to the provision of advanced quantitative management techniques to institutional clients. Their success has been based on *long-term performance* and a high level of client service.

A position exists for a Quantitative Fund Manager who will manage key portfolios, be involved in research and play a front-line sales and marketing role. It is an exciting opportunity for a graduate quantitative fund manager with around five years' experience in UK equities.

Your technical expertise must be complemented by excellent communication skills and a natural talent for presenting complex ideas to non-specialists.

*Are you ready to channel your knowledge and your expertise into a more stimulating and promising environment?* If so, please write with a full cv, stating any companies to which your application should not be sent, to: T G West, Managing Director, Confidential Reply Handling Service, Ref. 664, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

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# RIYAD BANK

## OPPORTUNITIES IN SAUDI ARABIA FOR COMPUTER AUDITORS

RIYAD BANK, one of the largest and most prominent banks in the Middle East with a network of over 170 branches in Saudi Arabia, has embarked on a new strategic system plan to enhance the Bank's competitive position. This exciting and challenging activity will see the introduction of several advanced software banking packages. Pro-active audit of the installation, implementation, conversion and testing is essential to reliance on operation of controls in these systems. Applications from candidates who exceed the minimum *requirements below will be welcomed.*

COMPUTER AUDITORS

Minimum Requirements:

- Degree of professional level education (may be waived for exceptional candidates)
- 4 years experience in Banking Applications
- 2 Years in Computer Auditing
- Good computer technical background

In addition to inspecting new banking packages, the range of duties for this position includes auditing and reporting on security and control deficiencies in existing Banking applications, Installation reviews, networks, LAN'S, and electronic banking products.

This position includes the following:

- Competitive Base Salary
- Married Status – furnished western style accommodation
- Transportation Allowance
- One Month Annual leave
- Annual round trip airfare for employee and family
- Medical care and other benefits, by Banking policy.

*Qualified candidates please respond to: Box A4754, Financial Times, One Southwark Bridge, London SE1 9HL.*

# Portfolio Manager Private Clients

Julius Baer Investments Ltd. is the UK investment management subsidiary of a long established and respected Swiss banking organisation.

An opportunity has now arisen for an experienced private client portfolio manager whose role will be to provide *a high quality service to wealthy UK and international private clients. Ideally, you will be a self-starter with an established track record at a recognised institution. You will also have the personal drive and* range of contacts to grow a substantial client base. Language abilities, while desirable, are not an essential requirement.

The remuneration and benefits package will be commensurate with the ability and quality of the successful candidate.

If you are interested please write in confidence enclosing a full curriculum vitae to:

Mr. Jonathan C. Minter, Managing Director
Julius Baer Investments Ltd.,
Bevis Marks House, Bevis Marks, London EC3A 7NE

JB∞B
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*For the Fine Art of Swiss Banking*

# FREUD LEMOS LIMITED

The firm, an SFA member, specialises in the provision of advice on financial strategy and the placement of debt securities. It welcomes applications from persons who have produced work of excellent quality and who have confidence in their independent ability to achieve results. It offers a stimulating environment, unhindered by the departmental divisions of larger organisations, for the development of new ideas as well as the opportunity to contribute significantly in the service of a distinguished and expanding client list.

*Interested persons may write to David Freud or George Lemos at 36 Great James Street, London WC1N 3HB.*

*Their confidence will be strictly respected.*

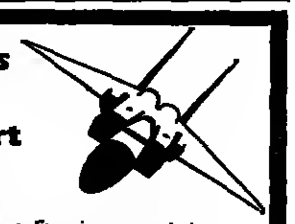
# EUROPEAN SALES MANAGER

*U.S. manufacturer of centrifuge replacement parts, seeks individual who will be responsible to work with existing sales agents, develop new agents and direct sales, primarily to processing plants in Europe. This individual must have solid background in industrial sales throughout Europe. Multi-lingual (German and English) and currently residing in Central Europe. Sales management and technical education desirable.*

**Write to Box A4960, Financial Times, One Southwark Bridge, London SE1 9HL.**

# arbitrage fund management

**Traders and Support Staff**



A brand - new $50 million arbitrage fund adviser based in the UK seeks trading & support staff. **Equitable House Investments Ltd**, led by **Dr. M Desmond Fitzgerald**, will act as sole trading adviser to two new US-based arbitrage partnerships in association with a major US arbitrage group.

Equitable House will be active in all areas of arbitrage trading, concentrating on relative volatility trading in fixed interest, equity and commodity derivatives.

It is looking for the following staff, with wide derivatives/cash market experience. Salaries are competitive. Prospects for performance-based remuneration are excellent:

**Senior Traders:** Experience needed of structuring and dealing arbitrage products, exchange- traded and OTC instruments, including exotics.

**Traders:** Must have experience of exchange and OTC execution, pricing, and knowledge of a wide range of markets - fixed income, equities and commodities.Knowledge of Repo markets an advantage.

**Research:** One head of research/one researcher required with experience of arbitrage/quants trading techniques.

**Administration:** One manager responsible for the middle office plus clearing and settlements staff.

Please reply with full career details to:

Alison Mather
*Unique Consultants*
1 Greenhill Rents London EC1M 6BN

# FOREIGN EXCHANGE OPPORTUNITY

## Scandinavia/Germany

Excellent salary and banking benefits · London base

Our client, a prestigious US financial services firm, is seeking an internationally experienced professional to develop its foreign exchange customer franchise in Scandinavia and German-speaking EC and EFTA countries.

You must hold a good finance degree, preferably from a major Scandinavian institution. You will have recent, relevant hands-on experience of an array of financial services with emphasis on selling Foreign Exchange related products in Scandinavia and German-speaking countries.

As part of a Firm-wide globalisation strategy, you will play a critical part in developing and executing our client's Foreign Exchange business, including providing its international client base with expert analysis and sophisticated advice on hedging the currency risk intrinsic to cross-border investment.

Your proven high level of expertise in currency options will enable you to meet an especially high demand for exchange risk management strategies involving the use of derivative products. Experience in preparation and execution of strategy presentations to an international client base, at senior management level, is a pre-requisite.

Customer development will form a key element of this role and you must demonstrate an existing corporate and institutional client base, particularly in Scandinavia.

Candidates must have a high energy level, be able to cope in a highly pressurised environment and have proven interpersonal skills.

Total fluency (both written and spoken) in English, a Scandinavian language (preferably Swedish) and German is essential.

Preference will be shown to candidates who demonstrate a combination of the pre-requisite business, language and cultural skills.

The rewards package and career development prospects are excellent.

To apply, please write with a full CV, stating any companies to which your application should not be sent, to T L Roberts, Director, Confidential Reply Handling Service, Ref 675, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

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# ANALYSTS/ASSET/ PROJECT FINANCE

Three vacancies exist for highly numerate graduate bankers aged 26-30 years skilled in spreadsheet, computer-modelling and evaluating high-value leasing/project or tax-based structured financing.

Salary Neg. £30-£40,000

# SENIOR FWD/DERIVATIVE TRADER

London based bank seek a senior strategic trader of Fwd, FX and Fwds synthesised from OBS products. Experienced in European and major currencies, you will also provide a pricing service to clients and ideally have experience in developing customised products.

Salary Neg.

# SENIOR FUND MANAGER

Major bank seeks a dedicated stock picker for Japanese and Pacific Basin Equities. Candidates will be in their 30's, conversant with systems, portfolio theory and possess a disciplined approach. Candidates will need to be able to implement the investment policy and organise other managers on behalf of the CIO.

Salary Neg.

OLD BROAD STREET BUREAU
EXECUTIVE SEARCH & SELECTION CONSULTANTS
65 London Wall, London EC2M 5TU
Tel: 071-588 3591 Fax: 071-588 9012

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# Account Officer

## Media and Communications Group

Canadian Imperial Bank of Commerce is one of the largest North American Banks and operates in many of the world's major financial centres across a range of activities. An excellent opportunity has arisen for a Corporate Banker to join our Media and Communications Group based at our European Head Office at London Bridge. CIBC is a market leader in these dynamic industries in both North America and the UK. Media and Communications is a fast growing core business of the bank.

Reporting directly to the Unit Head, the successful candidate will be responsible for marketing to and managing relationships in the publishing, broadcasting, cable and communications sectors. Working with other team members he/she will also be involved in projects related to these industry sectors.

Applicants must have strong business development, analytical and technical skills, together with at least three years' experience of account management at a high quality financial institution. Good credit judgement and the ability to work effectively in a team environment are essential. Relevant experience in dealing with media and communications companies, as well as European language ability, would be an advantage, but not pre-requisites.

CIBC offers a full competitive remuneration package, including normal banking benefits. Please send a full C.V., together with details of your current package, to the Recruitment Manager, Human Resources Department, *Canadian Imperial Bank of Commerce, Cottons Centre*, Cottons Lane, London SE1 2QL.

CIBC
**Canadian Imperial Bank of Commerce**

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# RESEARCH DIRECTOR

We seek a mature research analyst to take charge of our information, research and valuation activities.

Working for a small organisation operating in the financially troubled companies sector of the market, the candidate will report directly to the Chairman. Remuneration package is negotiable.

Interested candidates should send CV indicating daytime telephone number to: Box A4959, Financial Times, One Southwark Bridge, London, SE1 9HL.

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# *PRIVATE CLIENT FUND MANAGEMENT*

Singer & Friedlander Investment Management Limited is one of the UK's leading managers of discretionary private client portfolios.

An opportunity has arisen for an Investment Manager to join our Private Client team in Leeds.

Candidates should be educated to degree standard and preferably have a professional qualification.

A keen interest in economics and business together with the ability to demonstrate the potential to manage their own portfolios and to develop their own clients is essential.

Interested candidates should apply, in the first instance, in writing to:

Miss T Limbert
Singer & Friedlander Investment Management Limited
31 Park Square
LEEDS
LS1 2PF

Singer & Friedlander Investment Management Limited

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Napite Oy est.1962, is the leading Finnish subcontractor to the clothing industry producing buttons, buckles and other assorted items.

We are now looking for an independent AGENT who already has good contacts with the button wholesalers.

Salary based on commission.

Send English written application to:

**NAPITE OY, Box 32**
**SF-67101 KOKKOLA, FINLAND**
**Fax: + 358-68-822 1113**

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The market risk management unit within Dresdner Bank's trading division is looking for an experienced

# European Currencies Swap Trader

Trading experience in ECUs together with a profound knowledge of the respective interest rate markets is required.

Dresdner Bank runs its European currency interest rate derivative books out of Frankfurt in conjunction with its renowned DEM-derivatives operations.

German language skills would be advantageous although not a prerequisite.

An attractive salary will be supplemented by a generous range of banking benefits.

Please reply in confidence with a detailed Curriculum Vitae to:

Dresdner Bank AG
Konzernstab Personal
Zentrale/Ausland
Jürgen-Ponto-Platz 1
6000 Frankfurt am Main 11

Dresdner Bank

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# TRAINEE MANAGEMENT POSITION (London)

To join a major new Company as part of our Management Training programme. *Dynamic person sought to work within a* specialist team – we provide all the training – you must be a talented achiever, aged 23-35.

**Call Jason Lurie on 071 379 3488.**

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# NORWAY - SALES EXECUTIVE, NORWEGIAN EQUITIES

Pareto Fonds AS is a 50/50% owned securities house of Oslobanken and the Pareto Partners. Total equity is NOK 55 Millions. Pareto Fonds holds a strong position in the domestic equities market.

**SALES OF NORWEGIAN EQUITIES**

Pareto Fonds AS seeks to recruit an experienced individual to undertake a demanding and rewarding role within our Oslo based equities team. The individual will be responsible for building up the sales activity in foreign markets (Norwegian equities to/from foreign investors).

You should hold an MBA or equivalent, benefit from several years experience and have a high degree of analytical and communicational skills.

For highly motivated individuals this is an exceptional career opportunity, which offers attractive remuneration packages including a performance related bonus.

In the first instance, please send a full CV - in confidence to Lill Evanger Aafos at the address below.

**Pareto Fonds As**
**Fr. Nansens plass 2**
**Postboks 1411 Vika**
**N - 0114 OSLO**

**Telefon: +47 22 42 20 80**
**Telefax: + 47 22 42 60 22**
**Telex: 11334 OSCAP N**

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# FUND MANAGEMENT

## Japanese Equities

Excellent package including banking benefits · City based

Our client is the investment banking arm of a major financial institution. To strengthen their team managing the Japanese Equity Desk, they are looking for a Fund Manager who will help to shape and implement their top-down strategy, concentrating on analysis of major sectors and taking significant responsibility for stock selection.

You will be a graduate with 2-3 years' experience in Japanese markets, a good grounding in macro economics and most likely a background in analysis. Highly numerate and PC literate, you must have the personality and the interpersonal skills to be immediately compatible with a small but exceptionally gifted team.

A generous package is on offer, with banking benefits including a mortgage subsidy. Career prospects are excellent.

Please write with a full cv, stating any company to which your application should not be sent, to: T L Roberts, Director, Confidential Reply Handling Service, Ref 665.
*Associates in Advertising*,
5 St. John's Lane, London EC1M 4BH.

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# SECURITISATION OPPORTUNITY

## Senior Position

Excellent salary and banking package · London base

Our client, a prestigious US global financial services Firm, is seeking a senior internationally experienced professional to develop its European securitisation business.

You must hold a relevant Master's degree from a leading business school, together with a good primary degree in finance. You will have extensive experience of an array of financial services with emphasis on mortgage and asset backed securities finance.

By definition, this position requires at least three years' experience in asset-backed security structuring and design, investor marketing, client coverage, rating agency negotiations, new product development, research and systems design. You must demonstrate proven expertise in statistics and fixed income mathematics, together with an excellent working knowledge of the capital markets, including the government, corporate, money market, mortgage securities and asset-backed markets. Familiarity with fixed income derivatives together with substantial experience in the securitisation of fixed and floating rate mortgages, trade receivables, equipment, leases and credit receivables is also required.

The responsibilities require extensive knowledge of rating agency requirements, credit evaluation and underwriting disclosure. Experience with APL and mainframe, workstation and microcomputer environments is a pre-requisite.

You will also play a crucial role in investor marketing, using your background in fixed income securities and portfolio analysis to advise institutional investors in credit and cash flow performance evaluation.

Candidates must have a high energy level, be able to cope in a highly pressurised environment and have proven interpersonal skills.

*Please write with your CV*, stating any company to which your application should not be sent, to: T L Roberts, Director, Confidential Reply Handling Service, Ref: 676, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

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## APPOINTMENTS WANTED

DERIVATIVES
MBA (Finance), BSc Mathematics
Age 26 Years
Experience in options trading/research
Knowledge of options theory and models
Strong programming and financial modelling skills (Excel and C++)
Seeks temporary or permanent opportunities
UK, Europe, USA and other countries welcome

Tel: 081-994-4817 [Answer Machine]
Write to: Box No A4962, Financial Times, One Southwark Bridge, London SE1 9HL

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# SENIOR FUND MANAGER

## Madrid

Our client is an internationally well-known and established Madrid based management company, one of Spain's leading investment houses.

We seek a decisive performance oriented candidate with strong interpersonal skills, a high level of commitment and a fundamental approach to investment. He/she will demonstrate a successful track record of at least 5 years within fixed incomes management. Experience *in equity management will be appreciated.*

The appointment will be based in Madrid but knowledge of Spanish language is not required. Candidates should be able to demonstrate an ability to define investment strategy, present to clients and execute investment decisions. There is full back-up and support from a highly respected and much praised analytical and research team.

This is an important appointment within a highly progressive group and carries a competitive salary including performance related bonus.

**Those interested should send their *Curriculum Vitae* (including current package details) to: The Managing Director, ◆ Maseru, S.L., P.O. Box 9432, c/Jorge Juan, 83, 28006 Madrid (SPAIN), Fax: (34-1) 577 48 12.**

## ACCOUNTANCY COLUMN

# Branding debate results in more hot air than consensus

**Andrew Jack reports on moves by the Accounting Standards Board to issue new guidance on goodwill and intangibles**

WHEN senior executives at Hoover last year launched a high-profile campaign to offer free flights to the US in exchange for their vacuum cleaners, they may have hoped to change the image of their brand. If so, the aim was successful – except that the image went down instead of up.

Angry customers unable to fight through the small-print and claim their tickets besieged the switchboards. Three top UK executives were branded with blame and forced to leave the company. A name so carefully cultivated since 1908 that it had become an accepted part of the English language was damaged almost overnight.

When Philip Morris decided to cut the price of Marlboro cigarettes earlier this month, it sent a *frisson* through companies with branded goods everywhere. The world's most valuable brand – worth $31bn according to a recent estimate and supported by an annual $100m marketing expenditure in the US alone – seemed under threat.

Events such as these are causing new attention to be given to the subject of brands and their valuation, just at a time when British business is holding its breath in anticipation of new guidance from the Accounting Standards Board (ASB).

It is a topic which demands attention, as a growing number of companies face the issue of how to report acquisitions and investments in their accounts, and while there is little regulation of the existing position.

The annual survey of accounts by the Institute of Chartered Accountants in England and Wales in 1990-91 showed just 2 per cent of all companies and 6 per cent of large listed companies had brands on their balance sheets. The figures in the 1992-93 edition have risen to 15 per cent and 30 per cent respectively.

These proportions might have been considerably higher had not acquisition activity dropped off sharply as the heat of the 1980s was doused by the cold shower of recession and the end of the bull market.

Now at last, after considerable delay, it looks as though the ASB is poised to deliver a missive. The latest timetable suggests delivery of a discussion draft by late summer or early autumn this year.

The focus will not be on intangible assets and brands in general, but on accounting for goodwill – the difference between the purchase price of an acquired company and the value of its net assets.

As a paper sponsored by the ASB from five academics at Manchester University last year argued, goodwill includes three separate elements: the fair value of separately identifiable intangible assets; the present value of benefits such as market imperfections; and over- or under-payment.

The new paper is likely to argue that there are three ways to deal with goodwill: to write it off over a fixed period, set it against reserves, or keep it in the balance sheet while it maintains its value.

Current thinking seems to be that the ASB is willing to accept retention of goodwill in the balance sheet as long as it is satisfied that any diminution in values can be reliably tested. This question of robustness is the problem.

The ASB is likely to recommend adoption of the technique generally used by industry – based on projections of future cash flow. This must be verified by regularly comparing actual cash flow against that originally predicted at the time of the acquisition of an asset.

This approach is currently being "field tested" with a number of companies to see whether it can work in practice.

One is Reed International. Mr Nigel Stapleton, finance director, says: "We think it is perfectly feasible. We have been undertaking [brand valuations] for four or five years."

But opinion is strongly divided – not least among members of the ASB itself. A recent report on brands* highlighted both the variety of existing treatments of intangible assets in countries around the world and the split of expert views.

Mr Art Wyatt, a partner with Arthur Andersen and former chairman of the International Accounting Standards Committee, warned that no transaction exists to trigger recognition of brands and other intangibles, and no exchange transaction takes place to validate their measurement. He questions whether "the financial community is ready for reflection of undisciplined entries for non-events".

Mr Dennis Beresford, chairman of the US Financial Accounting Standards Board, says brand accounting is "a squall in a large storm" affecting the growing use of "soft" assets which will increasingly challenge the traditional view of the balance sheet as simply "a repository of transaction-based hard assets and firm liabilities".

Mr Peter Cartmell, finance director at Cadbury Schweppes, said his company decided to introduce brand valuations in its 1989 accounts after some significant acquisitions for three reasons: the value of their brands was increasing and would not be appreciated by less sophisticated investors; Stock Exchange regulations were relying purely on audited accounts rather than any underlying reflection of company value shown by the share price; and lower shareholders' funds would lead to a lower credit-rating, higher financing costs and more onerous borrowing procedures.

A journal article published last winter by Christopher Napier and Michael Power from the London School of Economics poured scorn on claims in a 1992 report from Arthur Andersen – sponsored by companies which include brands in their balance sheets – that a consensus was growing on valuation.

The academics argued that the Andersen report was as much about marketing and defending the firm's own valuation techniques as about assessing the true level of consensus.

But while the theoretical debate goes on, the reality is that companies are developing and using a wide range of brand valuation techniques. Mr Michael Birkin, group chief executive of Interbrand, one of the leading brand consultancies, says that virtually all branded-goods businesses use valuation techniques for internal purposes.

While many companies have held back from reporting brand values in their accounts, they use valuations for activities including internal brand management, mergers and acquisitions, tax planning and litigation work.

Mr Birkin stresses that the Hoover and Marlboro incidents do not suggest that putting values on brands in company accounts is pointless, but rather show the need for regular revaluations.

The question is how far accountancy decides to catch up with reality. Nigel Stapleton warns that any valuation techniques developed by the ASB should not depart too far from the way businesses value brands for their own purposes.

But while the ASB focuses on acquired goodwill, pressure will continue to mount on the subject of internally-generated intangibles. These include not only brands, but equally even less measurable assets such as the value of staff.

Even the academic study sponsored by the ASB recommended that internally-generated intangibles should be valued as well as those which were acquired, to ensure consistency. The ASB's own attack on the balance sheet and its definition of assets in the statement of principles appears to argue in this direction.

But personally, Mr David Tweedie, chairman of the ASB, shares Art Wyatt's scepticism on the subject. "Their measurement is not reliable enough," he says. "There has been no market transaction to prove their worth. I think one day we will consider the subject, but it may be a long way off."

**Accounting for brands. Kato Communications. Financial Times Business Information, London. (£222)*

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# Financial Controller

## Food Manufacturing

Midlands — c.£35,000 + Car

A highly successful and rapidly expanding international company, our client is currently looking for a talented professional to help manage their growth. Success has been achieved both organically and by acquisition and our client is now a highly respected and significant player in the food manufacturing industry.

This new position carries responsibility for the financial control of a major business unit within the Group which has a turnover in excess of £100m and around 1000 employees.

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To succeed you will need to be fully qualified with an excellent track record in manufacturing; any experience in food manufacturing would be a distinct advantage.

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For further information and an application form, please call our Ansaphone on 0892 514614, Ext. 1721.

**Closing Date for applications is Thursday 6th May, and interviews will be held during week commencing 10th May.**

The Association is striving to become an Equal Opportunities Employer.

High Weald Housing Association Ltd
High Weald House
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Tunbridge Wells
Kent TN1 1LQ

HIGH WEALD HOUSING ASSOCIATION

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# Accountancy Personnel

## MANAGER - INTERNAL AUDIT AND CONSULTANCY

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The person appointed will liaise with senior decision makers at main board and subsidiary levels, and will establish the Internal Audit/Consultancy function as a high profile management resource.

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For this excellent career opportunity you will ideally be a Chartered Accountant, trained with a large firm, with proven experience in investigations, insolvency and corporate finance advisory work. You will be ambitious, highly motivated with strong analytical and interpersonal skills and well developed commercial awareness.

We have a progressive career structure which we will be pleased to discuss with you.

For further details please telephone or write to Bernadette Breen, Personnel Manager, at the address below.

**Touche Ross**
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This is an opportunity to have a strategic impact on the development of a substantial public company. In the first instance please write to me, **Graham Dunning**, with brief career and salary details at, **Macmillan Davies, Dudley House, Albion Street, Leeds LS2 8PN.**

*Macmillan Davies*

S E A R C H & S E L E C T I O N

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# FINANCIAL CONTROLLER

Hampshire — c.£33,000 + Car

PCI Membrane Systems is an international leader in membrane filtration. To maintain the momentum of our growth, along with that of our sister company Stella Meta Filters Limited, we are looking for a highly experienced Financial Controller to join our strategic management team in Hampshire.

*You must be a qualified accountant with at least five* years' post qualification experience, preferably gained in *both small and large company environments. In addition to* manufacturing and commercial experience, you should *have strong IT skills and proven ability to negotiate* overseas commercial terms.

You will be responsible for managing the accounting function of two companies – using your experience and initiative to achieve optimum levels of financial efficiency. This will involve monitoring cashflow, producing management accounts, preparing revenue and capital budgets, and generating accurate management information.

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# FINANCE DIRECTOR
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Applications, giving fullest details of education, career to date and current salary, should be sent to:

The Company Secretary,
Matthew Gloag & Son Limited,
Bordeaux House, 33 Kinnoull Street,
PERTH, PH1 5EU.

## Director of Finance and Contracting

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**The Person** — Will be a qualified and widely experienced financial manager. Additionally he/she must have strategic vision and awareness, strong leadership and influencing skills, and the ability to work as a key member of the top team. These competencies may have been developed within or outside healthcare organisations, and as an equal opportunity employer, we will welcome applications from all sections of the community.

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Note: This is a re-advertisement. Previous applicants need not re-apply.

East Yorkshire Community and Mental Health Services

JEAN SORELLE

## FINANCIAL DIRECTOR

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The ideal candidate will be a graduate qualified accountant with an impressive career to date, having gained manufacturing experience, preferably within the FMCG environment.

For further information please contact Trevor Heathfield on 0444 416636, or send your CV to him at the address below.
Please note that all applications will be forwarded to Heathfield Hargreaves Ltd.

HEATHFIELD HARGREAVES

Chaucer House, 6 Boltro Road, Haywards Heath, West Sussex RH16 1BB
Tel: 0444 416636 — Fax: 0444 416002

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### (Designate)

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*For details, apply to:*
**John Courtis, FCA, MIPM** at 104 Marylebone Lane, London W1M 5FU listing clearly how you meet these criteria, also enclosing CV, stating latest salary and quoting 7296/FT.

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The right candidate will not only possess excellent technical skills and professional qualifications with at least three years post qualification experience within a manufacturing environment, but will also demonstrate a record of hands on involvement and a commercial flair and understanding reaching beyond the confines regularly associated with financial management. Prospects both personal and career wise are genuinely excellent.

Applications should be forwarded to:

A. J. Wesson Esq
Stoy Hayward
Foxhall Lodge
Gregory Boulevard
Nottingham NG7 6LH
Tel: 0602 626578
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## FINANCE DIRECTOR

**NORTH DEVON** — **c £40,000 plus car and benefits**

Our client, a subsidiary of a major international company, has experienced rapid growth in Europe since establishing its European base in early 1988. A Finance Director, reporting directly to the European Managing Director, is now required to oversee the company's financial systems and to manage the company's administration, DP and distribution sectors of the business.

Candidates will be in their late 30s'/early 40s' with experience in an f.m.c.g. environment and must possess expertise in at least one other European language.

Please reply in confidence, enclosing a full CV (with details of current remuneration) to:

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# Finance Director

## c£50,000 + Car
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The Finance Director will be a key member of the Managing Director's team and will be expected to support the Managing Director with strong financial controls, the review of tenders, project financing, strategic planning and the regular evaluation of projects. There is scope to make a significant contribution to the commercial success of the business.

Applicants should be qualified accountants with a record of success in a large commercial/industrial organisation. Relevant treasury experience is required in addition to the all-round experience of business planning, tight financial control, timely reporting and sound technical financial accounting associated with the Finance Director role. Experience of the sector is not an essential requirement. There are very good career development prospects for the successful individual.

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Brian H. Mason,
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Preferably F.C.A. qualified ideally aged between 35/40 with an M.B.A. and some European experience. *Knowledge of either French or German would be an advantage.*

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You will be a qualified Chartered Accountant, aged to 35, having qualified with a big 5 practice. You will have a successful track record, gained within an investment banking environment. An organised and systematic approach to work is essential, as is the ability to work quickly in a highly pressurised environment. You will possess excellent communication skills, and be prepared to take a proactive approach in your dealings with a variety of departments. It is vital that you have extensive PC skills. Previous regulatory reporting experience as well as exposure to capital markets products is essential. Ref: JAV 5496

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Interested candidates should contact **Jon Vonk** on 071-408 1312. Alternatively, you can submit a full Curriculum Vitae quoting the appropriate reference to the address below.

Marks Sattin

FINANCIAL RECRUITMENT
18 Hanover Street, London W1R 9HG.
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The post will be based in Chatham Maritime, Kent. Relocation expenses will be paid where necessary.

**Please send your CV, stating how you match our requirements to: Ian Jolly, Personnel Manager at the address below.**

COLONIAL MUTUAL GROUP

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# Financial Controller

**South Yorkshire** **c £35,000 + Car**

Our client is a £50m turnover multi-site distributor of equipment and services to a wide range of industrial clients. Part of a major UK PLC, they seek to strengthen their present management team through the appointment of a high calibre Financial Controller.

Reporting to the Managing Director, you will assume full responsibility for the financial management of the business. More specifically your duties will encompass management and statutory accounting, the development of computerised information systems and the maintenance of strict financial disciplines and controls within the company.

Candidates, aged 30-40, will be Chartered Accountants who can demonstrate a successful track record, preferably within a multi-site distribution environment. In addition you will need to demonstrate strong interpersonal skills and the ability to contribute significantly to the continued profitable development of the company.

Interested applicants should send their curriculum vitae to **Stephen K Banks ACMA**, quoting reference: **129174**, at **Michael Page Finance, Leigh House, 28-32 St Paul's Street, Leeds LS1 2PX.** Tel: **0532 450212.**

**Michael Page Finance**
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

# Finance Manager

**North West** **c £37,500 + Car + Bonus**

Our client is a £50m turnover subsidiary of a highly regarded pharmaceutical group with a truly outstanding record of growth through acquisition and organic development. They seek to strengthen the management team of their main production unit through the appointment of a Finance Manager.

Reporting directly to the Operations Director and functionally to the Finance Director, you will assume full responsibility for the financial management of the site. More specifically you will be responsible for monthly and annual reporting, budgeting, forecasting and the control of a significant capital expenditure programme. In addition it is expected that you will play a key role in the enhancement of costing and general information systems.

Candidates will be qualified accountants who are able to demonstrate strong track records of achievement and will ideally have experience of process manufacturing. Well developed interpersonal skills and a proactive approach are essential to make an important contribution to the future success of the business.

Interested applicants should forward a comprehensive curriculum vitae, quoting **ref: 142306**, to **Stephen K Banks ACMA** at **Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.**

**Michael Page Finance**
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

**MADRID** **c £50,000 MAS BENEFICIOS SOCIALES**

# Director Financiero Del Grupo

La compañía, con excelente y dilatada reputación, cotizada en la bolsa española, y con facturación en torno a Ptas. 36.000 millones (aproximadamente £200 millones), ha sido recientemente adquirida por un importante y diversificado grupo internacional. Como proveedor de equipos industriales, es líder de su sector en España, con una amplia red de sucursales en toda la península ibérica. Esta oferta es una oportunidad ideal para un profesional del area financiera, con deseos de progresar, que busque desarrollar su carrera dentro de un importante grupo internacional.

En dependencia del Director Financiero de División, también ubicado en Madrid, sus principales responsabilidades serán los de desarrollar e implantar los sistemas y políticas contables y de información a la dirección, dentro de la nueva estructura corporativa. Se espera que contribuya activamente al cambio en la cultura empresarial, teniendo presente las necesidades tanto de la compañía local como de la matriz.

El perfil deseado corresponde a un profesional del area financiero, técnicamente cualificado, preferentemente con edad comprendida entre 27 y 35 años, que acredite una amplia experiencia en temas contables, preferiblemente obtenida en una división ó subsidiaria de un grupo internacional, junto con buenos conocimientos de informática a nivel de usuario.

Deberá involucrarse activamente en todas las areas del negocio. Así mismo, deberá contar con una excepcional capacidad de comunicación y ver en esta oportunidad un paso lógico para desarrollar su carrera profesional. Se requiere dominio tanto del castellano como del inglés.

Se ruega a las personas interesadas envíen sus datos personales y su Curriculum Vitae, en inglés, incluyendo su actual remuneración y teléfono de contacto en horario laboral a Ann Shepherd, Coopers & Lybrand Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, indicando la referencia AS974 tanto en el sobre como en la carta. Tanto la información recibida como los posibles contactos serán tratados con absoluta confidencialidad.

Coopers & Lybrand Executive Resourcing

# Finance Director

**Bedfordshire** **c £55,000 + Car + Bonus**

Our client is a profitable, £50 million turnover, autonomous subsidiary of a US corporation, engaged in the manufacture and distribution of leading edge electronics for international niche markets. Significant ongoing investment in innovative research and development maintains the group's global market leadership.

The Finance Director will be responsible for all aspects of financial management, control systems development, international treasury and taxation. Key initial emphasis will be on strict control of working capital, further enhancement of computerised information systems and the development of a new finance team. As a member of the board, the overriding requirement is to provide commercial and strategic contribution to the long term, profitable growth of the business.

Candidates, aged 38-48, will be qualified accountants who can demonstrate a proven record of senior financial management experience gained in a multi-site, high technology, manufacturing environment. Commercial acumen, excellent communication skills and strong personal presence, combined with drive, commitment and self-motivation will be essential characteristics.

Interested applicants should forward a comprehensive curriculum vitae, quoting **ref: 6042**, to **Mark Hurley ACMA, Executive Division, Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LH.**

**Michael Page Finance**
Specialists in Financial Recruitment
London Bristol Windsor St Albans Leatherhead Birmingham
Nottingham Manchester Leeds Glasgow & Worldwide

# Group Finance Director

## Rapidly Expanding UK Public Company

Essex

£60,000 + Car + Bonus + Share Options

WAP

Our client, a publicly quoted packaging and distribution group with a leading presence in its specialist market, is poised to undergo a period of significant expansion. A highly visible management team, coupled with an entrepreneurial company culture, and strong institutional support, has been effective in producing a number of attractive business opportunities. Stock market expectations are for rapid growth through both organic development and acquisition.

There now exists a requirement to augment the senior management team with the appointment of a Group Finance Director. Reporting to the Group Managing Director and working closely with the Chairman, the appointee will have functional responsibility for financial managers in operating subsidiaries. In addition to controlling all aspects of financial management for the group's operations, the successful candidate's brief will encompass extensive liaison with banks and institutional investors, the development of group financial strategies, and the planning and implementation of acquisitions/divestments.

This opportunity will appeal to a commercially orientated Chartered Accountant (aged 33–40) with an outstanding record of achievement to date. Experience of operating at a senior level within a public company environment is essential. In addition, the successful candidate is likely to be a highly effective communicator with the experience and ability to manage rapid growth.

The remuneration package will reflect the seniority of the position and will include an executive car, bonus scheme, pension and equity participation through share options.

**Interested applicants should write, in the strictest confidence to Brian Hamill or Robert Walker, forwarding a curriculum vitae to our London office quoting Ref: BH 893.**

WALKER HAMILL
Financial Recruitment Consultants
29-30 Kingly Street, London W1R 5LB
Tel: 071 287 6285
Fax: 071 287 6270

# CHARTERHOUSE

## Corporate Finance Executives
## ACAs/ MBAs/LAWYERS
## £33,000 + Bonus + Banking Benefits

Charterhouse is a leading merchant banking and investment group with a strong presence in corporate finance, corporate banking, stockbroking and development capital. Charterhouse Bank has increased significantly its corporate finance market share over the last two years and continues to generate a high level of new business across the full range of corporate finance activities.

The extension of Charterhouse Bank's activities further into the major economies of Europe, with the planned ownership links between Charterhouse and substantial French and German banking groups, presents significant opportunities for expanding the business. As a result, the corporate finance department now needs to appoint up to three additional executives. Working within a structured environment and liaising to director level, the appointees will be responsible for the provision of corporate finance services to clients throughout the UK and Continental Europe. Specifically, the successful individuals will be exposed to acquisitions and disposals, rights issues, private placements, take-overs, joint ventures and corporate restructurings.

This opportunity will appeal to a commercially orientated ACA, aged 24-27 years, with a 2:1 degree or better, and first time passes in the professional examinations. Additionally ,applications are invited from young lawyers and MBAs with similar profiles and academic backgrounds. One or more European Languages and some previous experience in corporate finance, management consultancy or investigations is advantageous though not essential.

The benefits include an attractive remuneration package, performance related bonus, mortgage subsidy and the opportunity to develop an outstanding career based entirely on merit.

**For further information in strict confidence contact, David Craig or Robert Walker on 071-287 6285 (evenings and weekends 0798-831413). Alternatively, forward a brief resumé to our London Office quoting reference DC 1174.**

WALKER HAMILL
Financial Recruitment Consultants
29-30 Kingly Street, London W1R 5LB
Tel: 071 287 6285
Fax: 071 287 6270

# Senior Finance Executives

## Excellent Remuneration Packages – London

Our client is a major multinational marketing services group seeking to fill key appointments within their important operating companies. The positions will be based in or around London although there will be opportunities for overseas travel

The positions at Financial Controller and Finance Director level will require high calibre individuals with a successful track record in commerce. Experience of running the finance function of a marketing services operation would be desirable.

Applicants will be qualified accountants, MBAs or have similar qualifications. They should possess strong commercial acumen and the drive to succeed and be innovative in a challenging and fast moving business environment.

The remuneration packages are excellent, offering competitive basic salaries, plus participation in short and long term incentive plans.

Interested applicants, please apply in writing, enclosing a full Curriculum Vitae to:

Carmel Mallon
Arthur Andersen, 1 Surrey Street, London WC2R 2PS

ARTHUR ANDERSEN
ARTHUR ANDERSEN & Co SC

Arthur Andersen is authorised by the Institute of Chartered Accountants in England & Wales to carry on investment business.

# Group Treasurer

**North West** — **c. £55,000 + car, benefits**

Outstanding opportunity for an experienced Corporate Treasurer to join a market-leading £300m t/o international manufacturing group. Working closely with the Group Finance Director the successful applicant will be expected to make a key contribution to the achievement of the company's highly focused medium term strategy.

THE ROLE

Enhance and develop treasury systems and controls to meet rapidly evolving group requirements. Manage foreign currency exposure to maximise earnings and net worth. Ensure that the group does not breach its financial covenants. Manage relationships with external advisors and debt providers in conjunction with the Group Finance Director.

THE QUALIFICATIONS

Experienced Corporate Treasurer. Qualified Accountant, probably aged 35-50. Proven expertise gained in a substantial international group with multi-currency exposure. *Treasury skills ideally complemented by broadly based financial management experience.* Credibility and maturity to eern respect at group board level and ensure the implementation of group policies within international subsidiary operations.

Please reply in writing to 174a Ashley Road, Hale ,Cheshire WA15 9SF, enclosing a full curriculum vitae and quoting Reference RK 1055. Telephone: 061 929 9105. Facsimile: 061 929 8023.

Robinson Keane
SEARCH & SELECTION

# FINANCIAL ANALYST

Tarmac

Wolverhampton — c.£30,000 + FE Car + Relocation

A market-leader in its core activities of housebuilding, quarrying, construction and contracting, Tarmac plc is one of Britain's largest corporations, with an annual turnover of circa £3 billion.

An exciting opportunity now exists for an ambitious, hardworking ACMA/ACA to take on the high profile role of Financial Analyst within the company's key head office team, based at the Tarmac headquarters in Wolverhampton.

*An articulate, 'hands-on' team player, with proven analytical and spreadsheet ability and* excellent interpersonal skills, your responsibilities will include providing senior management with a monthly commentary on performance and trends within Group businesses, assessing acquisition and divestment opportunities and also handling budgeting, financial planning and capital expenditure reviews

Ideally a graduate, aged 25-32, with 1-5 years' post qualification experience within a commercial environment, you should possess the ability and confidence to paint an effective picture at Board level and make a real contribution to the decision making process in all business areas.

This key role offers an outstanding opportunity for a young, go-ahead individual to liaise at senior level, with the real prospect of promotion to a Divisional role within 2 to 3 years

Please apply directly to Tony Byrne or John Woodcock at Robert Half, 63 Temple Row, Birmingham B2 5LS. Telephone: 021-643 1663 Fax: 021-643 6170.

ROBERT HALF
THE HUMAN FACTOR

whitehead*selection*

# Group Treasurer

Hong Kong

c £75,000 plus substantial benefits

This publicly listed, multinational group, based in Hong Kong, with net profit after tax of over US$300 million, needs a forward thinking Group Treasurer who will bring increased levels of expertise and professionalism to all areas of Treasury management.

The appointment is seen as central to the strategic development of the Group. Reporting to the Finance Director, the Group Treasurer will manage a small department with particular emphasis on raising funds for all Group entities, managing bank relationships, borrowing compliance/control, cash management, foreign exchange trading/exposure and project finance.

The successful candidate will probably be a graduate Chartered Accountant and ACT member who has had at least five years' treasury and corporate finance experience within a large multinational. He/she will have an established reputation in the banking community, gained through the negotiation of major financings. Personal qualities will include excellent communication skills and the ability to readily achieve credibility both internally and externally.

**Please write enclosing a full CV, quoting reference 612 to Nigel Bates, Whitehead Selection Limited, 43 Welbeck Street, London W1M 7HF.**

**A Whitehead Mann Group PLC company.**

*whitehead* selection

# EXECUTIVE SEARCH

A small successful company specialising primarily in FMCG, retailing and the service industry seeks a qualified senior person, possibly with experience in a different commercial sector to join them. The particular status of the appointment and terms by mutual negotiation.

Please write with brief details to
Lorraine Turner,
67-68 Jermyn Street, London SW1Y 6NY.

## APPOINTMENTS WANTED

# EXPERIENCED FINANCE DIRECTOR

Proven track record with U.S. conglomerate in Europe, Africa and Middle East. Based in Brussels. Seeks challenging new assignment worldwide. Short/long term.

Write to Box A4760, Financial Times, One Southwark Bridge, London SE1 9HL

## APPOINTMENTS WANTED

# INTERNATIONAL EXECUTIVE AVAILABLE
## BA, FCMA, MCIM

Experience in general financial and treasury management, including change management consultancy, plus extensive computer expertise. Worked for leading international public and private sector organisations, in services (financial, travel, property and engineering), consumer goods (fresh foods, cosmetics and HVAC) and trading.

Over 10 years based abroad in Middle East, AustralAsia and Europe, with working knowledge of French and Spanish.

Shortly completing assignment in Western Mediterranean, now seeking challenging new position in European organisation. Willing to relocate.

**Please contact A Earl:**
**phone (010) 350 79200**
**or fax (010) 350 76189 (Gibraltar)**

# MANAGEMENT ACCOUNTING CONTROLLER

North West — c.£35k Package + Car + Benefits

With a turnover in excess of £100m, this autonomous subsidiary of a major international group has its core activity in the manufacturing of a wide range of products selling into industrial end users. Exporting approximately 75% of its production worldwide, its reputation is founded on its commitment to TQM and continued enhancement of customer service. A high-calibre finance professional is now required to play a senior role in the company's on-going development.

### The Role

- Control and develop a small management accounting team by encouraging a pro-active, professional approach to working practices.
- Liaise effectively with plant accountants, site general managers and overseas controllers; raising the profile of finance across the Group.
- Appraise reporting methods, improving where necessary to provide meaningful, concise information for Board and senior management.
- Reporting to the UK Financial Controller. Other *key functions will include enhancement of product* costing methods, review of budgetary procedures and development of IT systems.

### The Candidate

- Qualified CIMA, graduate calibre. Aged late 20's early 30's with a proven track record gained in multi-site, manufacturing environment.
- Excellent communicator with a determined yet controlled style. Resilient, able to work to demanding deadlines and possess strong commercial awareness.
- Talented man-manager with a constructive approach and a commitment to team development and customer care.
- Influential, able to gain respect of senior team, plan strategically whilst controlling day to day operations.

*Please apply in writing, enclosing full CV, quoting reference number LBA/136.*

LAWRENCE BARNETT ASSOCIATES
FINANCIAL & EXECUTIVE SELECTION
Charlton House, Chester Road, Old Trafford, Manchester M16 0GW
Tel: 061-877 4439 Fax: 061-877 6708

# Financial Director

**Oxfordshire** — **Circa £45,000 + Car + Equity + Options**

Our client is a long established, internationally known specialist textile company and the market leader in its field. It is actively pursuing a vigorous growth plan embracing product development, diversification and acquisition.

A demanding opportunity has arisen that will afford considerable scope to a Financial Director looking for challenge and growth. The role is crucial to the continued profitable growth of the business and will demand a high standard of professionalism and commercial acumen. Reporting to the Chief Executive you will be responsible for the development and management of comprehensive Financial Systems and Controls and play a central role in shaping the profitable direction of the company.

Our ideal candidate will be 35-45, a qualified accountant, with general management potential, whose experience will have been gained in a commercially oriented manufacturing environment, preferably at board level, where budget discipline and bottom line achievement count. *Your experience will have exposed you to all facets of the financial mangement* function and you will be able to demonstrate your ability to contribute to profitable growth and change. Some exposure to the textile industry would be an advantage.

Conditions will reflect the importance of the appointment and will not be a barrier to the right candidate. Assistance with relocation expenses will be paid where appropriate.

Please send comprehensive curriculum vitae quoting reference number DP/1038 to:

THE JOHN DALTON PARTNERSHIP LIMITED
4 Post Office Avenue
SOUTHPORT PR9 0US
Tel: (0704) 538776
Fax: (0704) 548912

(Applications are open to both male and female candidates)

THE JOHN DALTON PARTNERSHIP LIMITED
Management Selection & Recruitment Consultants

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هكذا من الأصل



## INTERNATIONAL BUSINESS OPPORTUNITY

ACA 26-28 YRS | C. London | Package c£40,000

We have an opportunity for an exceptional young ACA to join the high profile business audit team of a blue chip media plc. The department has a proven track record of promotion to line financial management and business planning positions.

We believe this to be the most challenging London based international audit role currently available in a fast moving consumer goods multinational. Together with peers you will be responsible for control environment monitoring of global entities spanning Continental Europe, South East Asia, Australia, United States and South America with a travel content of up to 50%.

Key challenges include: –

* Operational and follow up reviews
* Post acquisition reviews
* Special projects on behalf of corporate and local management
* Project implementation reviews
* Identifying key risk and focus areas of the business

We are looking for a large firm trained ACA with circa 2 years post-qualified experience, first time passes, a demonstrated track record of high quality work and proven report writing skills.

While advantageous, a second language (Spanish or Italian preferred) is secondary to the ability of the person who should be tough, unequivocal, confident, tactful and able to succeed in a demanding international environment.

To find our more about this opportunity to make an impact on a successful global business, telephone Jonathan Farn (retained recruiter) on 071 437 0551 or write to him at **Farn-Williams, 44 Conduit Street, London W1R 9FB. Facsimile: 071 434 4423.**

## MIDLANDS BASED FCA (MID 40's) SEEKS CHALLENGING ROLE

Wide industrial experience at director level, particularly multi-site distribution and turn-around situations. Hands-on, committed team builder. Equity participation considered.

Please reply in confidence to:

Box A4777, Financial Times, One Southwark Bridge, London SE1 9HL

## Internal Auditor

### – Frankfurt –

Aufgrund unserer Expansion im "Investment Banking" Geschäft suchen wir einen jungen, engagierten Mitarbeiter zur Unterstützung unserer internen Revision. Fundierte Erfahrung im Bereich Finanz- und Rechnungswesen sowie gute Kenntnisse der Kapitalmarktprodukte sind zur Ausübung dieser Position erforderlich. Schwerpunkt Ihrer Tätigkeit wird die System- und Ordnungsmäßigkeitsprüfung im Handels- bzw. Abwicklungsbereich sein.

Neben einem mit Prädikatsexamen abgeschlossenen Betriebswirtschaftsstudium setzen wir gute PC-Kenntnisse voraus. Deutsche und englische Sprachkenntnisse sowie Teamgeist und Flexibilität sind unabdingbar. Wir stellen hohe fachliche und persönliche Anforderungen, dafür bieten wir Ihnen ein interessantes, vielfältiges Aufgabengebiet in einem jungen Team mit attraktiven Verdienstmöglichkeiten.

Interessieren Sie sich für diese Position? Dann freuen wir uns auf Ihre schriftlichen und aussagefähigen Bewerbungsunterlagen – oder rufen Sie uns einfach an: Frau Walter-Endres (069/2607-215).

*Als eine der führenden internationalen Investmentbanken ist Salomon an allen wichtigen Finanzplätzen der Welt vertreten. Flexibilität und Offenheit sowie internationale Atmosphäre sind wesentliche Kriterien, die unsere Mitarbeiter zu schätzen wissen.*

**Salomon Brothers AG**

Wiesenhüttenstraße 10, 6000 Frankfurt am Main 1

## TWO OUTSTANDING OPPORTUNITIES FOR QUALIFIED CHARTERED ACCOUNTANTS

### NORTH WEST PROPERTY GROUP — £NEGOTIABLE

**FINANCE DIRECTOR DESIGNATE** required for an established, substantial group of property companies based in the North West.

Aged between 25-35, the ideal candidate will have had relevant experience in the Property Sector and be capable of leading a small team in a busy, modern office environment in a conscientious manner, maintaining strict financial control and providing timely and relevant information.

### MIDLANDS OUT-OF-TOWN RETAIL COMPANY — £NEGOTIABLE

**FINANCE DIRECTOR** required for an emerging retail company based in the Midlands currently expanding its operation.

Aged between 25-35, the ideal candidate will probably have had experience in the Retail sector and possess the necessary skills to lead a small dedicated team in a conscientious manner, maintaining strict financial control, whilst implementing and providing timely and relevant management information.

In both the above cases the candidate will need to demonstrate an outstanding achievement record, possess the necessary initiative, be capable of working under pressure and possess the appropriate communication skills to further the success of the organisation.

Future prospects for both positions are excellent and rewards will reflect the importance of each role. Interested candidates who feel they are capable of fulfilling the above criteria should send full personal and career details, including current remuneration level and daytime telephone number, in confidence to:

**Box A4961, Financial Times, One Southwark Bridge, London SE1 9HL.**

## PAPWORTH TRUST

*where people matter*

### FINANCE DIRECTOR - DESIGNATE

c. £30,000 plus car

**The Trust**

The Papworth Trust is a charitable foundation committed to the rehabilitation, development, care and integration of people with disabilities. Pioneering work in the application of robotics, engineering and computer technology, coupled with a range of industrial workshops, are key features of Papworth's progressive approach to individual fulfilment. The Trust, with an annual turnover exceeding £7.5 million, has recently embarked on a major 3-5 year change programme directed at achieving national recognition for its evolving expertise in the provision for disabled people.

**The Role**

The Finance Director will drive all aspects of the Trusts's financial mangement, reporting at Board level to the Chief Executive. The successful applicant will, assuming satisfactory performance, be designated Finance Director within 6 months. Key tasks in this hands-on role include upgrading systems and control procedures, spearheading improvements in efficiency, optimising cashflows and investment returns, evaluating innovative projects, and advising on strategic and policy issues.

**The Qualifications**

The successful candidate will be a commercially orientated, qualified accountant, probably aged 35 to 50, with proven management experience in manufacturing and service environments. The individual will be a dynamic and influential leader, fully capable of achieving through others and building successful teams.

Applicants for this exceptional opportunity should write, enclosing a C.V. by May 7 to: The Chief Executive, Papworth Trust, Papworth Everard, Cambs. CB3 8RG.

POSITIVE ABOUT DISABLED PEOPLE

PAPWORTH TRUST

## FINANCE DIRECTOR

**SURREY** — **Competitive salary and substantial *benefits***

Our client, a major multi-national media corporation is seeking to recruit a high calibre Finance Director for one of its largest subsidiaries, based in Surrey. The Company is the leading player in its market and has an outstanding record of constant growth in both sales and profits.

Reporting to the Managing Director, the successful candidate will be expected to be a key member of the executive team and be involved in both short term planning and longer term strategic issues together with total responsibility for the finance function.

This important position requires a qualified accountant currently holding a senior finance position in either a UK plc or a multi-national subsidiary, and who is used to a high level of autonomy. A demonstrably successful track record is essential, as is the proven ability to make a commercial as well as a purely financial contribution to the business. Experience of the publishing industry would be an advantage together with exposure to business in the US.

The package for this high profile position includes competitive base salary, significant bonus potential and a company car.

**For further information please contact David Chorley on 0444 416636, alternatively, write enclosing a comprehensive CV or fax your details to him on 0444 416002.**

HEATHFIELD HARGREAVES LIMITED

Chaucer House, 6 Boltro Road, Haywards Heath, West Sussex RH16 1BB
Tel: 0444 416636 Fax: 0444 416002

## *Recently Qualified Accountant*
### *To £35,000 + Banking Benefits*

An exceptional opportunity exists for a Chartered Accountant of the highest calibre to join this leading Investment Bank. In a challenging and high profile position the successful candidate will take full responsibility for providing the business support for the derivatives trading area.

A pro-active approach and resilient personality will be needed to ensure the reporting requirements are fulfilled accurately and efficiently.

This position clearly demands an ambitious individual ideally with the following credentials:

- Up to 3 years post qualification experience in a banking environment
- A sound knowledge of derivative products
- A chartered accountancy qualification
- Previous supervisory experience

Rewards will be excellent in terms of prospects, package and working environment.

**Please contact Nigel Jeyes on 071 583 0073 (day) or 081 595 1009 (evenings and weekends).**

## *Corporate Finance*
### *To £35,000 + Banking Benefits*

*How badly do you want to succeed? Our client, a top tier UK* merchant bank seeks two talented entrepreneurial individuals to join their expanding highly successful corporate finance team.

This is an ideal first career move for people keen to demonstrate their commercial awareness in a fast moving environment where excellence is rewarded with early promotion and responsibility.

You will be ACA or MBA qualified with an outstanding academic background (2:1 degree minimum) as well as being assertive and personable.

Fluency in one or more European languages is highly desirable but not essential.

**Please contact Richard Pooley on 071 583 0073 (day) or 081 874 5764 (evenings and weekends). Write to: 16-18 New Bridge Street, London EC4V 6AU. Fax 071 353 3908.**

BADENOCH & CLARK
*recruitment specialists*

## *Finance and Administration Manager*

South London/Surrey — To c £40,000

Occasionally an opportunity arises to play a key management role in a revolutionary business concept.

Earlier this month Nurdin and Peacock plc, the highly profitable Cash and Carry operator with a turnover in excess of £1.5 billion announced its intention to launch 'Club Warehouses' into the UK which are highly successful in the US.

The new club management team have an opportunity for a Finance professional with a broad understanding of Commercial Accounting procedures and Management experience essentially within a fast moving FMCG, Distribution or perhaps Retail environment.

Reporting to the club Managing Director this role is vital to the success of the new venture as it has responsibility for Finance, MIS, Administration and Facilities Management. We are therefore seeking an experienced graduate ideally with an accounting qualification or MBA. The right candidates are unlikely to be under 30 or over 45 years of age.

If you consider you have the exceptional drive, energy and creativity to make an effective impact in what will be an exciting, informal and often pressurised 'team environment' and believe that hard work can be fun! then send a comprehensive CV to Clive Sexton, Hoggett Bowers plc, George V Place, 4 Thames Avenue, Windsor, SL4 1QP, 0753 850851. Fax: 0753 853339, quoting Ref: H42011/FT.

*Hoggett Bowers plc*

EXECUTIVE SEARCH AND SELECTION

• BIRMINGHAM • BRISTOL • CAMBRIDGE • CARDIFF • EDINBURGH • LEEDS • LONDON • • MANCHESTER • NEWCASTLE • WINDSOR and representation throughout EUROPE

## SEEBOARD

### Finance Manager

*WEST SUSSEX* — *c £35k plus car*

Southern Gas is a rapidly growing company marketing gas to industrial and commercial companies in the UK, predominantly in Southern England. The company is a subsidiary of SEEBOARD plc and in only its second year of trading is expected to achieve a turnover of £30m.

A high calibre Finance Manager is now required to head up the finance function, responsible for all financial matters including monthly reporting, budgeting and forecasting, credit and cash control and the effective management of a small team.

Candidates will be qualified accountants, aged 28 to 35, with several years experience in a fast moving business with strong financial controls. Analytical skills are essential together with sound financial judgement, and proven management ability.

The position offers an opportunity to make a major contribution to the successful development of this new company and a career within the SEEBOARD Group as a whole.

In addition to a company car, Southern Gas can offer a range of benefits commensurate with this management position, including a smoke-free working environment, private health insurance and company pension scheme.

***Please apply in writing, enclosing a full CV and stating current salary, to Helen Nagle, Recruitment Officer, SEEBOARD plc, Grand Avenue, Hove, East Sussex BN3 2LS, quoting vacancy number 4751 - Closing date for receipt of applications is 4th May 1993.***

**Southern Gas is a Seeboard company.**

## LEISURE GROUP FINANCE DIRECTOR

**WILTSHIRE** — **£40,000 PLUS CAR AND OTHER BENEFITS**

JPI Group is a profitable, rapidly expanding Group of companies in the leisure sector with a market leading brand known as Watermark. Organic growth has generated a need for a new Finance Director to join the existing finance team. Reporting to the Group Chief Executive, the position will involve the supervision of the Accounts Department as well as dealing with a large number of other financial and commercial issues.

The successful candidate will be an energetic and ambitious Chartered Accountant with several years post qualification experience in industry and first hand knowledge and understanding of the workings of the City. This person is likely to be under the age of 45 given the age profile of the current executive team. Candidates should apply in writing enclosing a full cv to:

**Huw Watson, Commercial Director,
JPI Group Limited, Brinkworth,
Nr Chippenham, Wiltshire SN15 5DF**

JPI

## FINANCIAL CONTROLLER - SATELLITE SERVICES

***Salary £40,000 + Bonus + Car + Benefits. Central London***

Maxat Ltd, a wholly owned subsidiary of France Câbles & Radio (part of the France Télécom Group) is currently the fastest expanding satellite services company in Europe. Having established itself via its state-of-the-art teleport at the ITN building in its chosen markets of broadcast services; corporate television and satellite data services in 1992, it is now in an explosive growth mode. Turnover is expected to double each year and exceed £12 million in 1994.

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## COMMODITIES AND AGRICULTURE

# Chinese renege on wool contracts as prices dive

By Emilia Tagaza in Melbourne

THE CRISIS in Australia's wool market deepened this week, with prices hitting a new low and the biggest overseas buyers starting to renege on earlier contracts.

The wool market indicator, the weighted average of auction prices of 15 wool categories, yesterday fell to A$3.96 a kilogram, the first time the indicator has dropped below the the A$4 mark.

Brokers said that Chinese and Korean buyers, who were buying strongly earlier this week, yesterday kept away from the market.

Meanwhile, a delegation from the Australian Council of Wool Exporters has flown to China, the biggest importer of Australian wool, to try to persuade individual buyers to stop reneging on wool purchases contracted when prices were higher.

Government officials say that the extent of losses from dishonoured contracts is not known but the Chinese buyers' action is giving "cause for concern" in the government. The Wool Export Council has asked the federal government to put pressure on the Chinese government.

The council's Mr Don Booth said that the Chinese buyers' action was totally unacceptable and warned that it would diminish their country's standing in the international wool market.

Mr Simon Crean, the primary Industries minister, is expected to propose to the cabinet next week an emergency aid package to wool growers, including interest rate subsidies and generous debt rescheduling arrangements.

# Australia's BHP set to join mineral sands big league

By Kenneth Gooding, Mining Correspondent

BROKEN HILL Proprietary, Australia's biggest company, seems to have found a way to join the relatively few groups that control the world's mineral sands industry. It may play the major role in developing a project in Mozambique.

It has signed a deal with Kenmare Resources, a small Irish exploration company, which could lead to BHP speeding an estimated US$24.11m to earn a 75 per cent share inthe Congolone project, near Angoche on the northern coast of Mozambique.

BHP already owns 100 per cent of the Beenup mineral sands project in Western Australia but has made it clear in the past that it was planning to get bigger in the mineral sands business or get out. Some observers calculate that a combination of Coogolone and Beenup would give BHP more than 20 per cent of the market for titanium dioxide, produced from ilmenite and a key ingredient in the production of pigments for paint, paper and plastics.

Mr Michael Carvill, Kenmare's managing director, said BHP had already spent a year and a quarter working on the project but there was a long way to go before the Australian group could decide to take the project into production.

A scheme to process ilmenite to produce 500,000 tonnes a year of titanium slag in Mozambique, using the ample and cheap power from that country's Cabora Bassa dam, was being considered, but it would require more tax incentives than the Mozambique government was offering at present, given that similar projects elsewhere had cost $300m.

The very earliest a development decision could be made was 1997, said Mr Carvill, and it would then take another two years for output to begin.

● BHP and Elkem, the Norwegian group, have finalised their strategic alliance in the manganese business – manganese is essential in the production of some steels.

BHP, the world's third-largest producer of manganese ore, will secure a long-term market for production from its Groote Eylandt mine in the Northern Territory, and fluctuations in Elkem's manganese operations – it is the world's largest independent producer of manganese alloys – will be evened out.

Groote Eylandt Manganese Sales, a company 51 per cent owned by BHP and the rest by Elkem, will supply ore from the mine at production cost to two manganese alloy production plants in Norway, previously owned by Elkem but now also put into a joint company, Elkem Mangan, 51 per cent owned by Elkem and 49 per cent by BHP.

# Thai white sugar sales forecast to fall 66%

By David Blackwell

THAILAND'S WHITE sugar exports are likely to fall by 66 per cent this year following a combination of sharply lower overall production and a restricted premium for white over raw sugar, according to the latest market report from Czarnikow, the London trade house.

Total production is now forecast to reach only 3.84m tonnes, compared with initial expectations nf 5.5m tonnes. By April 15 only two of the country's 46 mills were still crushing cane.

Last year Thailand exported 1.3m tonnes of white sugar, but the *figure could fall* to only 410,000 tonnes this year, the report suggests. Despite a recent recovery in the white sugar premium to about $55 a tonne from $35 a tonne, "in view of the reduction in the overall supply, it is not likely that Thai millers will be in a position to revise and enlarge their remelting programmes for white sugar".

Remelting is necessary to produce white sugar from raw cane sugar.

In spite of the recent retreat in world sugar prices from three-year highs, Czarnikow suggests that the market outlook has moved from the prospect of an increase in stocks to one of a drawdown of around 2m tonnes.

"Although there are ample stocks carried forward from past seasons, it is clear that periods of temporary supply shortages may occur from time to time this year. It will therefore fall to the world price to provide the necessary stimulus to attract supplies out of domestic carry forward stock and into world trade."

# Low prices snuff out tobacco hopes

## Tony Hawkins on a stunning setback for Zimbabwean growers

HAVING GROWN possibly the best flue-cured tobacco crop in the country's history, Zimbabwean farmers have been stunned by depressed prices on the Harare auction floors.

When the tobacco sales opened last week growers were optimistic that prices would open in the region of US$1.50 a kilogram and hopeful that during the season they would average $2 a kg. But on the first day the price averaged $1.29, falling below $1 on the third day and sliding still further this week to average only $1.05 during the first week of the sales. That was 34 per cent down on last year's opening price of $1.60 a kilogram for what was a low quality, high-nicotine, drought-stressed crop.

Growers had been warned that the global supply-demand *balance had shifted* against them and that prices this year would come under pressure, but no-one expected so dramatic a decline, especially given the sharp improvement in the quality of tobacco on offer. "We are shell-shocked," said an industry official this week.

There is no single explanation for this. Global recession, higher taxes on smoking, cigarette price wars in the US and EC and the increased availability of some grades, especially filler tobaccos, have all contributed to thin order books. The Brazilian crop is up nearly 10 per cent at 400m kg, but, unlike Zimbabwe, the quality is poor.

Zimbabwe's farmers are highly critical of the government's monetary policy, which they say has killed the speculation that would normally have resulted in heavy buying by the merchants.

They have a point. Repeated government promises to curb public spending and reduce the budget deficit have come to nothing and economists expect the 1992-93 budget deficit to exceed 12 per cent of GDP or *roughly double* the target in Zimbabwe's structural adjustment programme.

In an effort to meet credit ceilings agreed with the IMF, while also accommodating the government's borrowing requirements, the Reserve (central) Bank of Zimbabwe, which in December promised lower interest rates, has been forced to allow money market rates to rise. Merchants are therefore faced with the choice of paying upwards of 40 per cent interest to buy and hold speculative tobacco or borrow offshore at much lower rates, carrying the foreign exchange risk of further Zimbabwe dollar devaluation as well as the probability of being unable to sell and move the tobacco before the loan is repaid in 180 days.

The result has been market *stalemate; merchants awaiting* orders from the manufacturers who traditionally only show their hand in the market in the second half of May or even later, while the growers, indignant at being forced to "give" their tobacco away at bargain basement prices are withdrawing from the market in the hope that prices will soon recover.

Caught in the middle is the monopoly auction floor company, Tobacco Sales, with too much tobacco to store as a result of confident pre-season bookings and subsequent large-scale tearing of tickets, thereby rejecting sales, by growers. At the same time farmers are scrambling to cancel next month's bookings and hold their tobacco back in the hope that when the manufacturers see the quality of the leaf they will start buying heavily.

Watching gloomily from the sidelines are the banks. They had hoped for buoyant sales, both to boost national export earnings and to ease market liquidity as tobacco growers repaid their loans.

It is estimated that the break-even price for a tobacco farmer is in the region of $1.50 to $1.60 a kilogram, depending on the yield achieved. After last year's disastrous drought, *when the banks were forced to* carry a large number of their customers, a second successive season of loan roll-overs would push up lending rates once again.

With less than 2 per cent of the crop having been sold, it is far too early even to begin to guess what the price will average this season. Were the authorities to open a tobacco window at the central bank to finance speculative buying, this might give prices a modest boost. Merchants play this down, however, stressing that the real problem is not the liquidity crunch at home so much as weak global demand.

Last year the industry produced 201m kg of tobacco, which sold at an average price of $1.62 a kg, only half the $3.25 achieved in the 1991 boom. Current forecasts point to a crop of at least 205m kg this year with price estimates for the season ranging from $1.40 from the doom-merchants to the optimists' $1.75. Unless market conditions change radically in the next two months, the probability must be that the 1993 crop will earn little more than last year's $326m, less than the $350m achieved in 1990 and substantially below the record $553m enjoyed in 1991.

With tobacco accounting for 40 per cent of export earnings last year, and with mining and industrial exports suffering at the hands of world recession, another year of depressed prices would deflate the dwindling hopes of a significant economic recovery in 1993.

In any event, tobacco exports this year will be sharply lower than in 1992 because the foreign sales in the first half the year will be dominated by last year's poor quality low-priced leaf. But a second successive year of low prices would delay Zimbabwe's export recovery by at least 12 months as well as reversing the trend towards increased tobacco production if growers came to accept that the 1991 boom really was no more than a flash in the pan.

**Zimbabwe Tobacco**

| | Crop size (million kg) | Total value (million US$) | Average price (US cents/kg) |
|---|---|---|---|
| 1993(f) | 205-210 | 340 | 165 |
| 1992 | 201 | 326 | 162 |
| 1991 | 170 | 553 | 325 |
| 1990 | 134 | 350 | 260 |
| 1989 | 130 | 265 | 204 |
| 1988 | 120 | 262 | 218 |

f = forecast. Source: Zimbabwe Tobacco Association and FT estimates.

# Optimism remains high on Yemeni oil

## Explorers are confident of further discoveries, writes Eric Watkins

TOP US, Canadian and French oil executives remain optimistic over Yemen's potential for development despite problems stemming from the country's political uncertainty.

"With 60 to 70 per cent of Yemen yet to be explored, it would be premature to estimate the country's ultimate potential," says Mr Ray Irani, chairman of both the US and Canadian Occidental Petroleum Corporation. "Top notch companies are now combing the land and there are bound to be more discoveries."

Oil in commercial quantities was first discovered in Yemen by the Dallas-based Hunt Oil Company in 1984 and exports began in 1987. Hunt's production had been as high as 210,000 barrels a day of, but depletion of the 1bn-barrel of reserve has brought the figure down to 180,000 b/d.

Yemen's production is expected to rise to 300,000 b/d in September when CanOxy's new fields in Al-Maseela come on stream. "We expected to pump 120,000 barrels a day by the end of September," says Mr James B. Taylor, executive vice-president and chief operating officer of the Calgary-based company, which has been operating in Yemen since 1987 and has drilled 37 exploratory wells, 28 of them successfully.

"That is a 76 per cent success ratio, a phenomenal success, almost unheard of elsewhere," Mr Taylor says.

CanOxy's reserves are now estimated at 1.5bn barrels, of which some 460m are potentially recoverable.

Other companies are also begining to report significant discoveries – Total of France recently announced a 12,000 b/d find in its Shabwa concession, which is adjacent to CanOxy's field in Al-Maseela. But problems are also being discovered. Two weeks ago hostile Yemeni tribesmen kidnapped six Total employees at gunpoint and released them only after the company agreed to provide 85 jobs for the tribe.

Last July other armed tribesmen kidnapped Hunt's general manager along with six other employees to use as bargaining chips in a dispute with the government. All seven were later released unharmed.

Hunt, Total, Royal/Dutch Shell, Arco and other companies operating in the country have meanwhile been faced with continued hostility as tribesmen threaten employees and hijack company vehicles in broad daylight.

Most observers attribute such difficulties to the country's economic and political problems. Already one of the world's poorest countries, Yemen suffered particular hardship when Saudi Arabia expelled some 1m Yemeni workers and their families during the Gulf war. Since then it has suffered inflation at nearly 200 per cent and a 36 per cent unemployment rate.

# Aluminium can recycling reaches record levels

By Kenneth Gooding

THE ALUMINIUM industry's determined efforts to promote can recycling as one of the few forms of used packaging that can generate a decent income for collectors are paying off.

Aluminium can recycling rates in Europe and the US reached record levels last year. In Europe the rate rose from 21 per cent in 1991 to 25 per cent while the US rate jumped from 62.5 per cent to 67.9 per cent.

Big money was involved. The US Aluminum Association estimates that the industry paid out $968m for used cans, money that went back into local ecooomies to benefit individuals, schools, churches, scout troops and so on.

However, the industry also benefits – and not only from giving itself a "green" image. Cans provide cheaper metal because they can be recycled on a "closed loop" system (from cans to scrap and back to cans again), because they save as much as 95 per cent of the energy needed to produce new aluminium and because the capital cost of a recycling plant is only one-tenth of that for a smelter.

According to Aluminium Can Recycling Europe (Acre), at least 39,595 tonnes of aluminium cans were recycled in Europe last year, up from 32,350 tonnes.

The European industry has set itself a target of recycling 50 per cent of all aluminium cans by the mid-1990s at a time when aluminium's share of the beverage can market is also growing rapidly – it reached 51 per cent in 1992. Sweden, which has a mandatory deposit scheme, had the highest recycling rate last year, 86 per cent, followed by Iceland, 75 per cent, and Switzerland, 68 per cent.

Mr Alexander Wirtz of Acre, says that "cash for aluminium cans" machines in Switzerland today are even found high up in the Alps next to ski huts.

The recycling rate in Austria jumped from 25 per cent to 40 per cent last year and there were steady increases in Ireland (11 to 16 per cent), Italy (15 to 18 per cent), Greece (26 to 29 per cent) and the UK (11 to 16 per cent.)

Efforts to promote further growth and to provide the necessary collection infrastructure are being co-ordinated by Acre, which was formed in 1984 by Alcan of Canada, Pechiney of France and VAW of Germany. Alcoa and Reynolds of the US, joined in 1988, and Alusuisse-Lonza (Switzerland), Hydro Alnminium (Norway) and Elval (Greece) agreed to provide support in their domestic markets.

## WORLD COMMODITIES PRICES

### MARKET REPORT

COPPER'S price recovery was halted in late trading at the London Metal Exchange yesterday when forward, producer-related, hedge selling and fresh Chinese selling took the three months price back to $1,865 a tonne. Final business was at $1,868 a tonne, still up $10 on the day. Earlier Wednesday's recovery from 5½-year lows had been continued, lifting the price to $1,920 a tonne at one stage. Traders noted that, while the market was heavily oversold, there was strong reluctance to test resistance at $1,930 a tonne. The ALUMINIUM market suffered a technical breakdown around Wednesday's closing level of $1,125 a tonne for three months metal and this was followed by option-related selling and the triggering of stop-loss selling orders, which forced prices down to $1,105 at one stage. The market ended at $1,110 a tonne, down $12 from Wednesday's kerb close. COCOA futures held on to small gains scored early in the day as the market continued to trade in a narrow range. "What this market needs is some convincing fundamental news," said one trader.

Compiled from Reuters

**COCOA – London FOX** £/tonne

| | Close | Previous | High/Low |
|---|---|---|---|
| May | 875 | 671 | 677 671 |
| Jul | 687 | 685 | 691 684 |
| Sep | 701 | 699 | 704 699 |
| Dec | 719 | 716 | 722 719 |
| Mar | 738 | 736 | 741 735 |

**LONDON METAL EXCHANGE** (Prices supplied by Amalgamated Metal Trading)

| | Close | Previous | High/Low | AM Official | Kerb close | Open Interest |
|---|---|---|---|---|---|---|
| Aluminium, 99.7% purity (£ per tonne) | | | | | | Total daily turnover 28,490 lots |
| Cash | 1096.5-7.5 | 1102-3 | 1083 | 1088-5 | | |
| 3 months | 1109-10 | 1125-6 | 1125/1105 | 1110-0.5 | 1110-1 | 161,229 lots |
| Copper, Grade A (£ per tonne) | | | | | | Total daily turnover 54,068 lots |

**HEATING OIL** 42,000 US galls, cents/US galls

| | Latest | Previous | High/Low | |
|---|---|---|---|---|
| May | 54.65 | 55.18 | 55.10 | 54.50 |
| Jun | 55.15 | 55.46 | 55.30 | 54.95 |
| Jul | 55.50 | 55.80 | 55.70 | 55.30 |
| Aug | 56.20 | 56.45 | 56.35 | 56.05 |

### Chicago

**SOYABEANS** 5,000 bu min; cents/60lb bushel

| | Close | Previous | High/Low | |
|---|---|---|---|---|
| May | 592/0 | 590/4 | 593/2 | 588/6 |
| Jul | 593/6 | 591/6 | 595/2 | 590/3 |

# LONDON STOCK EXCHANGE

## Overseas buying lifts equity market

By Steve Thompson

FURTHER evidence that the recovery in the UK economy is gathering momentum, a reduction in German interest rates and a sharp upward move by Wall Street combined to drive London share prices higher yesterday.

The FT-SE 100 Index finished 11.5 up at 2,881.1, extending its rise over the past four days to 56.7. The FT-SE Mid 250 Index, which has tended to lag behind the 100 index in recent weeks, outperformed the senior index, posting a gain of 17.2 at 3,133.1.

The trading session was enlivened by reports of further heavy overseas buying interest, mainly reflecting switching operations out of other European markets and into the London market.

Turnover in UK equities expanded rapidly during a hectic session which saw more than 703m shares traded, well ahead of recent levels which have been exaggerated by a number of exceptionally large placings and bought deals.

Activity was boosted by at least four programme trades, two of which were said to have been substantial in size. All the trades were described as evenly balanced on the buy and sell side. Consumer stocks, notably the food retailers, were heavily represented in one of the trading programmes.

Share prices began the session in subdued fashion ahead of the March unemployment figures and average earnings numbers for February, expected mid-morning, and news from the Bundesbank meeting, expected shortly after lunch. The Footsie 100 opened around three points higher at 2,872.8 and made heavy weather of moving up to 2,874.3 immediately following the economic data. The 26,000 fall in unemployment during March, the second successive decline, against expectations of a rise of around 35,000, and a marked slowing in the increase in UK average earnings were accompanied by good news on housing sales and car production.

Then, news that the Bundesbank had cut its discount rate by a quarter of a percentage point and its Lombard rate by half a point came as a pleasant surprise to the market.

The combination of encouraging pointers and a strong opening performance by Wall Street saw the Footsie 100 reach the day's peak of 2,881.2 before easing off and staging another good run just before the close.

Some traders cautioned that the market was running out of steam above the 2,880 level, citing the argument that there will be a number of big calls on institutional cash in the next few months, notably BT III. Other marketmakers, however, remain convinced that there is still considerable upside in the equity market, with the possible added bonus of takeover activity.

Mr Richard Jeffreys, economist at stockbroker Charterhouse Tilney, said: "The impact of earnings growth will drive the market sharply better later this year." Mr Ian Harnett, at SGST, commented: "The momentum is with the market at the moment. It looks like onwards and upwards in the short term."

Oil shares were among the market's poorest performers, reacting to renewed selling on Wall Street overnight. But British Gas gained ground in high volume after Sir James Mackinnon, the gas industry regulator, addressed the London Oil Analysts Group in London on Wednesday evening.

C.E. Heath, the insurance broker, came under fire after the profits warning.

### TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

### Account Dealing Dates

| | | | |
|---|---|---|---|
| *First Dealings: | Mar 29 | Apr 19 | May 10 |
| Option Declarations: | Apr 15 | May 6 | May 20 |
| Last Dealings: | Apr 16 | May 7 | May 21 |
| Account Day: | Apr 26 | May 17 | Jun 1 |

*New time dealings may take place from 8.30am two business days earlier.

## Gas rises on MMC optimism

A MEETING with the official gas regulator caught the imagination of several oil analysts yesterday and led to a sharp rise in British Gas shares.

Several analysts decided that Sir James Mackinnon, the Ofgas regulator, was taking a more conciliatory view on the company's place within the industry. Nevertheless, Mr Nick Antill of company broker Hoare Govett said that how ever placatory Sir James might have appeared, future rulings were now out of his hands and under the auspices of the Monopolies and Mergers Commission. That more cautious attitude to the meeting prompted profit-taking at the upper levels, and after being 9 higher at one stage the shares were taken back to close 7½ up at 311p on heavy turnover of 13m.

There were also suggestions that agency broker James Capel had issued a buy recommendation on Gas. The house denied the rumour but said that it was bullish on the meeting.

### ICI consolidates

The rise in ICI shares continued yesterday as the stock was marked higher in early trading following an overnight gain in the US. The stock was the best performer in percentage terms among the top 100 FT-SE Index companies, climbing 52 to 1288p on unusually heavy turnover of 7.7m. The shares were helped by news from ICI's bioscience arm Zeneca that first-quarter results were better than a year ago.

Transatlantic dealers in London cited a recent recommendation from US brokerage PaineWebber was still driving the shares, and another US house, Morgan Stanley, had joined Goldman Sachs and PaineWebber on the bid. However, they added that sellers were beginning to appear in London as the stock hit the 1290p level.

### Amber Day stake

Mr Philip Green signalled the end of his association with Amber Day, the former chairman and chief executive selling the bulk of his 8.1 per cent stake to what is believed to be a single institutional investor.

The 9.25m shares, representing 7.6 per cent of the issued ordinary capital, went through as an agency cross at 83.5p. Amber Day moved ahead 6 to 85p in total turnover of 19m.

News and electronic information group Reuters Holdings rose 25 to 1307p after two securities houses recommended buying the stock following recent weakness.

NatWest Securities moved the stock on to the buy list from a previous "long term outperform" stance, arguing that the shares had underperformed by 14 per cent so far this year. Also, Smith New Court analyst Mr Richard Dale reiterated his buy recommendation.

Dollar weakness and continuing concern over the price of tobacco in the US following the announcement by Philip Morris on Wednesday that first-quarter cigarette volume was down by 1.1 per cent from a year ago hit BAT Industries, which slid a further 11 to 869p.

RTZ shares bounced following recent weakness as copper prices recovered slightly from a 5½-year low aarlier this week. The stock moved forward 19 to 650p on bealthy turnover of 2.9m shares.

Royal Bank of Scotland shares firmed 8 to 270p on heavy turnover after an agency cross and positive commants from one broker ahead of half-year results on May 5. Panmure Gordon forecasts profits of at least £58m.

Also, there was impetus from an agency cross of 2.5m shares, traded at 269p a share, a premium to the market price. The underlying shares closed 8 higher at 270p on turnover of 9.5m.

Royal Insurance added 11 at 329p as the chairman said that first quarter results would show an improvement over the same period in 1992.

Insurance broker C.E. Heath fell 12 to 313p after announcing that it is to sue two rival brokers over insurance losses incurred by its Australian underwriting subsidiary. Heath announced that the losses will badly affect profits when tha group reports full-year results next month.

Interim results from Albert Fisher came in at the top end of market expectations, although an initial surge in the shares was clouded by a downbeat statement from tbe group's chairman. Mr Stephen Walls said margins continued under pressure and the economic recovery made no impact on tbe group's husiness. Most analysts left full-year forecasts unchanged. The shares slipped 2 to 69p in turnover of 1m.

Other food manufacturers stocks were muted, although some thet had been under pressure took the opportunity to catch up. Cadbury-Schweppes, which had been worried by talk of an imminent cash call, added 9 to 482p and Booker gained the same to 380p. Associated British Food shrugged off earlier comment over its results to climb 3 to 484p.

Disappointing results from William Low hit the shares, off 17 at 209p.

Board changes at Alexon, one of the sector's favourite hid targets, lifted the shares 6 to 89p.

News that Austin Reed, the upmarket clothes retailer, proposed transforming "A" ordinary non-voting shares into voting shares in a move to broaden its shareholder base, sent both sets of shares surging. The ordinaries closed 47 ahead at 235p and the 'A's 25 forward at 132p.

Continued recovery talk belped stores stocks. W.H. Smith rose 15 to 450p, Storehouse 3 to 205p, Ratners 1½ to 18½p, Lloyds Chemists 11 to 310p and Dixons 6 to 218p.

Pharmaceuticals stocks were weaker as sellers appeared in the US. Glaxo's rise slowed to a gain of only 3 at 602p, SmithKline Beecham fell 4 to 464p in the 'A's and Wellcome, whicb had been helped 11 higher by a Panmure Gordon buy note and beavy overnight activity from one US hrokerage, failed to get sufficient support in London and closed 4 lower at 760p.

Construction stocks were in demand again as the recovery story continued to inspire investors. South-east bousebuilder Berkeley Group jumped 7 to 420p, AMEC 6 to 93p, Tilhury Douglas 10 to 508p and Wilson Bowden 16 to 450p.

Building materials group Tarmac slipped a half-penny to 141½p as Goldman Sachs was said to bave downgraded its profit forecast. The US-owned hroker was also believed to have upgraded its forecast in BPB Industries, ahead 4 at 229p.

In a firm drinks sector, Grand Metropolitan added 9 to 429p and Bass slipped 5 to 554p as Kleinwort Benson advised a switcb, tbe broker fretting about domestic price competition.

Turnover in aero engine maker Rolls-Royce rose to 10m and the shares gained 6¼ to 132½p as two brokers recommended the stock. UBS issued a buy circular and Henderson Crosthwaite said an increase in passenger traffic would lead to a rise in spares sales in the key summer months. Henderson also favours British Aerospace whose shares hroke through the 300p barrier for the first time in several weeks, to finisb 11 better at 309p, its highest level this year.

Demand continued for Smiths Indnstries, which reported figures on Wednesday and the shares put on another 6 to 353p. In a buoyant metals sector, British Steel finished the session 2½ better at 93¾ with volume reaching 16m.

The release of UK car production figures showing a 19-year high boosted several component manufacturers. These included GKN, 5 up at 462p, and Lucas Indnstries, still attracting bid talk, which added 2¼ to 137p.

Textile group Yorklyde jumped 25 to 408p as it revealed raised full-year profits of £2.2m and an improved dividend along with an upbeat statement.

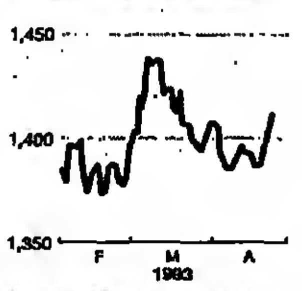
The oil majors were weak on concerns ahead of first-quarter figures in early May.

Active trade in US airline stocks that followed better than expected results from American Airlines hoosted dealing in British Airways which firmed 5 to 289p in trade of 2.2m.

**MARKET REPORTERS:**
Pater John,
Joel Kibazo,
Christopher Price.

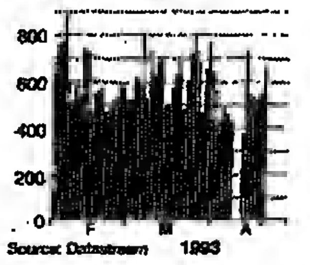
■ Other market statistics, Page 21

### FT-A All-Share Index




### Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover




Source: Datastream 1993

### NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (167).

NEW LOWS (31).
BRITISH FUNDS (12) Tr. 13¾pc '93, Tr. 8½pc '94, Ex. 13¼pc '94, Tr. 10pc '94, Tr. 9pc '94, Ex. 19¼pc '95, Tr. 12¾pc '95, Tr. 14pc '96, Tr. 15¼pc '96, Ex. 13¼pc '96, Ex. 15pc '97, Tr. 8pc '13, BUSINESS SERVS (1) Hays, FOOD MANUF (1) Sims, FOOD RETAILING (1) Low, HEALTH & HSEHOLD (2) AAH, Creighton, HOTELS & LEIS (1) Wembley, INSCE BROKERS (3) Bradstock, Heath, Sturge, INV TRUSTS (1) Gartmore Scot. Inc., MEDIA (1) Chiltern Radio, MISC (2) Attwoods, Cornwell Parker, OTHER INDLS (1) Colorgen, PROP (3) Moorfield, Raglan, Rowlinson, STORES (1) T & S, MINES (1) RTZ.

### FINANCIAL TIMES EQUITY INDICES

| Volume | April 22 | April 21 | April 20 | April 19 | April 16 | Year ago |
|---|---|---|---|---|---|---|
| SEAQ Bargains | 29,406 | 29,696 | 27,514 | 28,287 | 32,518 | 37,254 |
| Equity Turnover(£m)† | - | 1473.2 | 1151.9 | 1051.9 | 1192.2 | 1422.3 |
| Equity Bargains† | - | 34,514 | 33,004 | 32,480 | 37,858 | 45,023 |
| Shares traded (ml)† | - | 682.4 | 548.0 | 515.5 | 539.4 | 579.8 |

† Excluding intra-market business and overseas turnover.

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Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

## EQUITY FUTURES AND OPTIONS TRADING

THE BETTER than forecast unemployment figures, together with the unexpected reduction in German interest rates, boosted trading activity in the derivativas sector, writes Joel Kibazo.

It was a subdued opening in the futures as the June contract on the FT-SE 100 Index started trading at 2,892. Dealing remained uneventful until tha 11.30am release of the pleasing unemployment figures. This sent June advancing to the day's high of 2,900, the first time the contract has traded at that level in several sessions.

However, this proved a resistance point and the contract came off the top on profit-taking and a feeling thet a cut in German rates was unlikely.

June drifted to the day's low of 2,877 over the lunchtime period. The announcement of a German rate rednction from the Bundesbank took dealers by surprise and led to renewed buying of the contract.

It ended at 2,893, up 5 from the previons close and 6 points above its estimated fair value premium to cash of around 7. Volume came to 9,539 lots.

The traded options were also busy and saw total turnover of 31,052 contracts. Business in the FT-SE 100 option amounted to 6,298 lots, although that In the Euro FT-SE option was more modest at 1,249.

Hanson was the hnsiest stock option with 5,158 contracts transacted, followed by Land Securities with 2,010.

### FT-SE Actuaries Share Indices — THE UK SERIES

| FT-SE 100 | FT-SE MID 250 | FT-A ALL-SHARE |
|---|---|---|
| 2881.1 +11.5 | 3135.7 +19.8 | 1412.88 +6.55 |

### FT-SE Actuaries 350 Industry Baskets

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.

## LONDON SHARE SERVICE

### BRITISH FUNDS

### BRITISH FUNDS - Cont.

### OTHER FIXED INTEREST

Continued on next page

# LONDON SHARE SERVICE

## AMERICANS

[illegible]

## CANADIANS

[illegible]

## BANKS

[illegible]

## BREWERS & DISTILLERS

[illegible]

## BUILDING MATERIALS

[illegible]

## BUILDING MATERIALS - Cont.

[illegible]

## BUSINESS SERVICES

[illegible]

## CHEMICALS

[illegible]

## CONGLOMERATES

[illegible]

## CONTRACTING & CONSTRUCTION

[illegible]

## ELECTRICALS

[illegible]

## ELECTRICITY

[illegible]

## ELECTRONICS

[illegible]

## ENGINEERING-AEROSPACE

[illegible]

## ENGINEERING-GENERAL

[illegible]

## ENGINEERING-GENERAL - Cont.

[illegible]

## FOOD MANUFACTURING

[illegible]

## FOOD RETAILING

[illegible]

## HEALTH & HOUSEHOLD

[illegible]

## HOTELS & LEISURE

[illegible]

## HOTELS & LEISURE - Cont.

[illegible]

## INSURANCE BROKERS

[illegible]

## INSURANCE COMPOSITE

[illegible]

## INSURANCE LIFE

[illegible]

## INVESTMENT TRUSTS

[illegible]

## INVESTMENT TRUSTS - Cont.

[illegible]

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## INVESTMENT TRUSTS - Cont.

| | Notes | Price | + or - | 1993 high | low | Yld Gr's | NAV | Dis or Pm(-) |
|---|---|---|---|---|---|---|---|---|
| Scottish Inv | ♣□ | 195 | +½ | 201 | 183 | 3.0 | 231.0 | 16.1 |
| Warrants | □ | 44 | +1 | 48 | 38 | – | – | – |
| Scot Mortgage | ♣†□ | 199½ | — | 201 | 170 | 2.8 | 219.6 | 13.5 |
| Scot National Inc | ♣k□ | 91 | — | 95½ | 83 | 16.3 | – | – |
| Cap | □ | 28 | — | 28 | 18 | – | 67.7 | 61.0 |
| Stepped Pf | | 152¾ | — | 155¼ | 150¾ | 6.0 | – | – |
| Zero Div Pf | | 207 | — | 210 | 207 | – | – | – |
| Warrants | | 3½ | — | 5 | 3 | – | – | – |
| Scot Value | †a | 79½ | — | 79¾ | 71 | 2.8 | 74.8 | -6.3 |
| Sec Alliance | ♣† | 1494 | +4 | 1503 | 1390 | 3.2 | 1599.2 | 10.4 |
| Second Consld | □ | 195 | +1 | 112 | 89 | – | 177.7 | 41.2 |
| Second Market | 5 | 325xd | +2 | 325 | 256 | 0.8 | 563.1 | 16.8 |
| Sec Tst Scot | ♣□ | 82 | +½ | 84½ | 74½ | 6.7 | 83.8 | 2.5 |
| Select Assets | | 123 | — | 130 | 100½ | 1.2 | 163.2 | 24.6 |
| Eq Ind Serl | | 131 | — | 134 | 128 | 4.1 | – | – |
| Eq Ind Serl | | 131 | — | 134 | 129 | 4.1 | – | – |
| SHIRESCOT | aH | 121 | -1 | 123 | 104 | 8.4 | 119.6 | -2.0 |
| Shires | ♣ | 250 | — | 262 | 231 | 0.6 | 252.0 | -1.6 |
| 11pc Cv Ln '03/04 | | 2120½ | +1 | 0121½ | 2115½ | 6.8 | – | – |
| Siam Select | | 134 | — | 185 | 97 | 0.2 | 143.4 | 6.5 |
| Warrants | | 38 | — | 38 | 15 | – | – | – |
| Smaller Cos | □ | 106 | — | 107 | 70 | 3.1 | 109.9 | 3.5 |
| Warrants | | 27 | — | 27 | 14 | – | – | – |
| Sphere Inc | □ | 20xd | — | 21½ | 14 | 18.4 | 31.4 | 37.0 |
| Zero Div Pf | | 85¼ | +½ | 85¼ | 60¾ | – | – | – |
| Summit | | 55 | — | 58 | 38 | 3.2 | 89.9 | 38.9 |
| TR City of Lon | □ | 136½xd | +½ | 140¼ | 126 | 4.4 | 131.1 | -3.4 |
| TR Euro Growth | ♣□ | 102 | — | 109 | 78 | 1.7 | 112.6 | 9.4 |
| Ptg Sub | | 55 | | | | | | |

## MERCHANT BANKS

Barings 8pc Cm ... 9¾pc Non-Cm ... Close Bros ... Hambros ... 7½pc Cv Pf ... Joseph (L) ... Kleinwort Benson ... Rea Bros ... Schroders ... N/V ... Singer & Fried. ... Warburg (SG) ... 6pc Cv Pf ... Wintrust

## METALS & METAL FORMING

ASW ... Apollo Metals ... Ash & Lacy ... Barrett (H) ... Billam (J) ... Brit Steel ... CL ...

## OIL & GAS - Cont.

## PACKAGING, PAPER & PRINTING - Cont.

## TELEPHONE NETWORKS

## MINES - Cont.

## TEXTILES

## PROPERTY

## MISCELLANEOUS

## INVESTMENT COMPANIES

## OTHER FINANCIAL

## TRANSPORT

## MEDIA

## OTHER INDUSTRIALS

## WATER

## STORES

## SOUTH AFRICANS

## MOTORS

## PLANTATIONS

## MINES

## PACKAGING, PAPER & PRINTING

## OIL & GAS

| | Notes | Price | + or - | 1993 high | low | Mkt Cap £m | Yld Gr's |
|---|---|---|---|---|---|---|---|
| Greenwich Res | ♣□ | 13 | — | 16½ | 5 | 16.8 | – |
| Hemlo Gold C$ | | £4⅝ | — | £5 | £3½ | 447.8 | 2.2 |
| Ivernia West I£ | ‡†□ | 60 | — | 57 | 31 | 28.1 | – |
| Kenmare | ♣□ | 12½ | -½ | 13½ | 6 | 12.0 | – |
| Malinga Res. | | 16½ | — | 25½ | 14 | 1.71 | – |
| Nevan Res I£ | ♣ | 31 | — | 34 | 25 | 4.18 | – |
| 5pc Ln Notes | | 28 | — | 34 | 26 | 5.09 | – |
| Oryx Gold | | 64 | — | 71 | 47 | – | – |
| RTZ | ♣□ | 650 | +19 | 709 | 628 | 6,626 | 4.8 |
| Vizcaya | % | 6¾d | — | 8¾ | 3¾ | 3.06 | – |

## GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).

● "Tap Stock"

* Highs and lows marked thus have been adjusted to allow for rights issues for cash

† Interim since increased or resumed

‡ Interim since reduced, passed or deferred

... security shown, subject to the Editor's discretion.

### FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7161 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT9660. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

### FT Cityline

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Annual subscription £250.00 stg.

Call +44 71-925 2126 for more details.

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 873 4378.

## AUTHORISED UNIT TRUSTS

### Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

**INITIAL CHARGE:** Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

**OFFER PRICE:** Also called issue price. The price at which units are bought by investors.

**BID PRICE:** Also called redemption price. The price at which units are sold back by investors.

**CANCELLATION PRICE:** The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

**TIME:** The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♦) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

**HISTORIC PRICING:** The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

**FORWARD PRICING:** The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

**SCHEME PARTICULARS AND REPORTS:** The most recent report and scheme particulars can be obtained free of charge from fund managers.

*Other explanatory notes are contained in the last column of the FT Managed Funds Service.*

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071-379-0444.

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# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 873 4378.

## INSURANCES

## OTHER UK UNIT TRUSTS

Continued on next page

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

**Prosperity Life Assurance Ltd**

1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| Initial Equity | 164 0 | 173.0 | — | - |
| Accum Equity | 260.5 | 264 0 | — | - |
| Accum Managed | 263.8 | 277.8 | — | - |
| Accum Five Star | 195.0 | 205.5 | -1.5 | - |
| Accum World | 143 5 | 151.6 | — | - |
| Accum Emerg Mkts | 225.5 | 238.0 | +0.5 | - |
| Pens Acc Equity | 378.5 | 383.5 | — | - |
| Pens Acc Managed | 347 0 | 366 0 | +0.5 | - |
| Pens Acc Emerg Mkts | 267.5 | 282.0 | -0.5 | - |
| Pens Acc Deposit | 234.9 | 246.5 | — | - |
| Pens Acc Five Star | 219.0 | 231.0 | -2.0 | - |

**Providence Capital Life Assn. Co Ltd**

2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| UK Equity Acc. | 267.1 | 281.6 | +0.8 | - |
| UK Fixed Int Acc. | 222.4 | 234 6 | -0.3 | - |
| Intl Equities Acc. | 224.9 | 237.3 | -0.4 | - |
| UK Managed Acc. | 192.3 | 202.0 | — | - |
| Property Acc. | 221.2 | 233.4 | — | - |
| Money Acc. | 145 0 | 103.9 | — | - |
| Special Market Acc. | 100 5 | 108.9 | +1.8 | - |
| Japan Equity Acc. | 114.8 | 121.2 | -0.6 | - |
| North American Acc. | 146.0 | 154.1 | +0.3 | - |
| Pacific Acc. | 136.0 | 143.5 | +0.2 | - |
| European Acc. | 122.4 | 129.2 | -1.1 | - |
| Hong Kong Acc. | 117.8 | 123.5 | -0.4 | - |
| Int Fixed Interest Acc. | 74 4 | 70.6 | +0 4 | - |
| Int Managed Acc. | 69.9 | 73.7 | — | - |
| HP Managed 8 Acc. | 120 3 | 126.8 | — | - |
| HP Managed II Acc. | 131 2 | 138.2 | +0.2 | - |
| Balanced Growth Acc | 116.1 | 122.4 | +0.2 | - |
| Building Society | | 100 0 | — | 4 33 |
| *Total Investment Bond* | | | | |
| UK Equity Initial | | 178 6 | +0.5 | - |
| UK Fixed Int Initial | | 146 9 | -0.3 | - |
| Intl Equities Initial | | 149.4 | -0 3 | - |
| UK Managed Initial | | 178.5 | — | - |
| Property Initial | | 149.2 | — | - |
| Money Initial | | 98.2 | — | - |
| Special Market Initial | | 144.0 | +0.8 | - |
| Japan Equity Initial | | 87 6 | +0.9 | - |
| North American Initial | | 111.5 | +0.2 | - |
| Pacific Initial | | 103.8 | -0.1 | - |
| European Initial | | 108.0 | -0.8 | - |
| Hong Kong Initial | | 109.9 | -0 4 | - |

**Royal Heritage Life Assurance Ltd - Contd.**

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| *Pension Unit Trust Funds* | | | | |
| Gartmore Global Ser 8 | 225 1 | 237 0 | -1.9 | - |
| Gartmore NA Ser 8 | 147.9 | 155.8 | -2.0 | - |
| Gartmore Pacific Ser 8 | 421.7 | 443.9 | +1.5 | - |
| Henderson Acc Ser 8 | 231.8 | 243.2 | +0.7 | - |
| Perpetual Mng Ser 8 | 257.9 | 271.5 | +1.2 | - |
| Framlington Mn Ser 8 | 221.5 | 233.2 | +0.6 | - |
| Gartmore Mngd Ser 8 | 256.2 | 269 7 | +0.5 | - |
| Gartmore Euro Ser 8 | 151.5 | 172.2 | -0.8 | - |
| Gartmore Global Ser 0 | | 145.8 | -0.8 | - |
| Gartmore NA Ser 0 | | 172.4 | -2.3 | - |
| Gartmore Pacific Ser 0 | | 227.9 | +0.5 | - |
| Henderson Acc Ser 0 | | 178 0 | +0.5 | - |
| Perpetual Mng Ser 0 | | 193.8 | +0.5 | - |
| Framlington Mn Ser 0 | | 162.2 | +0.5 | - |
| Gartmore Mngd Ser 0 | | 216.8 | +0.4 | - |
| Gartmore Euro Ser 0 | | 128.7 | +0.4 | - |
| *Baring Funds* | | | | |
| Eastern | 281 0 | 295.7 | -1.0 | - |
| European Smllr Cos | 162.8 | 171.6 | +0 5 | - |
| Managed | 182 5 | 192.2 | +0.3 | - |
| *Gartmore Funds* | | | | |
| British | 324.2 | 341.3 | +0.6 | - |
| European | 219.4 | 231 0 | -0.5 | - |
| Frontier Markets | 145.1 | 152.8 | +0.7 | - |
| Global Bond | 112 7 | 118.7 | +0 4 | - |
| Gold Intl Resources | 54.9 | 57.8 | +0.5 | - |
| High Inc. | 262.0 | 275.8 | +1.9 | - |
| Hong Kong | 330 4 | 347 8 | +19.3 | - |
| Income | 394.8 | 415.0 | -0.8 | - |
| Japan | 385.8 | 405.9 | -1 1 | - |
| UK Smll Cos | 280 9 | 295.7 | +1.2 | - |
| Man Gth | 402.7 | 423 8 | +0 1 | - |
| Global Inc & Gwth | 154.2 | 162.4 | -0.8 | - |
| Pacific Growth | 250 1 | 263.3 | -1 3 | - |
| *INVESCO MIM* | | | | |
| European Smaller | 139.3 | 146.7 | — | - |
| Sth & East Asia Gwth. | 263.8 | 277 7 | -0.2 | - |
| Inc Growth | 281.5 | 296 4 | +0.5 | - |
| Japan Smlr Cos | 218.7 | 230.3 | — | - |
| Man Growth | 225.6 | 237.5 | -0.5 | - |
| Gilt | 78.4 | 82.6 | — | - |
| *Perpetual Funds* | | | | |
| International Growth | 151 9 | 138.9 | — | - |
| American Growth | 190.8 | 200.9 | +1 2 | - |
| Intl Emerging Cos | 176.6 | 186 0 | +0.8 | - |
| European | 164.9 | 173.3 | +0.4 | - |

## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### CANADA (SIB RECOGNISED)

### GUERNSEY (SIB RECOGNISED)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### IRELAND (SIB RECOGNISED)

### JERSEY (SIB RECOGNISED)

## OFFSHORE INSURANCES

## MANAGEMENT SERVICES

# FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call ( 071 ) 873 4378.

| | Init Chrge | Canc. Price | Bid Price | Offer Price | + or - | Yield Gr's |
|---|---|---|---|---|---|---|
| **Capital House Fund Mgrs (CI) Ltd (0900)H** | | | | | | |
| PO Box 189, St. Helier, Jersey 0534 74689 | | | | | | |
| Capital House International Growth Funds Ltd ◆ | | | | | | |
| Equities | | | | | | |
| UK Equity | 5½ | £1.483 | 1.503 | 1.595 | +0.028 | - |
| North American | 5½ | $1.723 | 1.754 | 1.862 | +0.03 | - |
| Japanese | 5½ | $1.042 | 1.061 | 1.783 | +0.025 | - |
| Pacific Basin | 5½ | $3.147 | 3.202 | 3.399 | +0.02 | - |
| Continental European | 5½ | $2.417 | 2.448 | 2.596 | +0.015 | - |
| Gold | 5½ | $0.927 | 0.927 | 0.980 | -0.02 | - |
| Hong Kong | | $- | - | - | ... | - |
| Bonds | | | | | | |
| Sterling Bond | 5½ | £1.924 | 1.924 | 2.040 | ... | 6.43 |
| International Bond | 5½ | $2.215 | 2.215 | 2.349 | -0.02 | 4.63 |
| US Dollar Bond | 5½ | $1.668 | 1.668 | 1.768 | -0.01 | 4.32 |
| Currencies | | | | | | |
| £ Sterling | 0 | £31.08 | 31.09 | 31.68 | ... | 4.09 |
| US$ | 0 | $20.59 | 20.59 | 20.59 | ... | 2.00 |
| Japanese Yen | 0 | Y4000 | 4000 | 4000 | ... | 2.71 |
| D Marks | 0 | DM70.00 | 70.00 | 70.00 | -0.01 | 7.37 |
| Ecu's | 0 | Ecu33.62 | 33.62 | 33.62 | +0.01 | 8.10 |
| Managed | | | | | | |
| Int Portfolio | 5½ | $1.883 | 1.904 | 2.021 | -0.02 | 0.00 |
| Managed Currency | 5½ | $2.468 | 2.468 | 2.612 | +0.05 | 1.06 |
| **Gartmore Fund Managers International Ltd** | | | | | | |
| PO Box 278, 45 La Motte St., Jersey 0534 27535 | | | | | | |
| Capital Strategy Fund Ltd (z) | | | | | | |
| American Fd | | $- | 2.0120 | | | - |
| Canadian Fd | | C$- | 0.0017 | | | - |
| British Fund | | £- | 2.9710 | | | 5.00 |
| European Fund | | DM- | 5.0890 | | | - |
| Asia Pacific Fd | | $- | 3.0350 | | | - |
| Japan Fund | | Y- | 570.0000 | | | - |
| Australasian Fd | | A$- | 0.4071 | | | 2.00 |
| Global Resources | | $- | 0.7270 | | | 1.25 |
| Emerging Mkts Fd | | $- | 2.1060 | | | 0.95 |

| | Bid Price | Offer Price | + or - | Yield Gross |
|---|---|---|---|---|
| **Scimitar Worldwide Selection Fd Ltd** | | | | |
| Equity Class Funds | | | | |
| American | $10.12 | 10.00 | +0.07 | - |
| Asian Smllr Mkts | $15.60 | 19.70 | -0.03 | - |
| European | $11.07 | 11.78 | -0.05 | - |
| Gold | $3.538 | 3.767 | +0.04 | - |
| Japanese | $30.32 | 32.23 | +0.26 | - |
| Pacific Basin | $22.78 | 24.15 | +0.14 | - |
| S'pore Indo Malaysian | $10.81 | 11.48 | +0.06 | - |
| Utd Kingdom | £10.08 | 11.21 | +0.04 | - |
| Worldwide | $10.08 | 17.08 | -0.06 | - |
| Worldwide Income | $10.80 | 11.47 | - | - |
| Worldwide Warrant | $5.827 | 6.253 | +0.073 | - |
| Worldwide Guaranteed | $11.28 | 12.01 | +0.03 | - |
| Whole Extended NAV | $11.26 | | ... | - |
| Managed Class Fund | | | | |
| Worldwide | $10.21 | 10.85 | ... | - |
| Bond Class Funds | | | | |
| Ecu | Ecu9.283 | 9.798 | -0.029 | 6.27 |
| Sterling | £9.884 | 10.43 | ... | 8.42 |
| US Dollar | $9.539 | 10.09 | ... | 4.32 |
| Worldwide | $9.724 | 10.28 | -0.01 | 4.84 |
| **Seringeour Kemp-Gee Mngmt., Jersey** | | | | |
| SKG Capital Fund | £5.178 | 5.516 | ... | - |
| SKG Income Fund | £0.812 | 0.864 | ... | 8.77 |
| **TSB Trust Funds (CI)** | | | | |
| TSB Jsy Equity Fd | 45.0 | 48.2 | +0.10 | 1.77 |
| TSB G'sey Equity Fd | 45.5 | 48.2 | +0.10 | 1.77 |
| TSB Island Pension | 451.8 | 475.5 | ... | - |
| TSB Gilt Fd (Jsy) Ltd | 105.80 | 108.05 | -0.06 | 7.70 |
| **Tyndall International (Jersey) Ltd** | | | | |
| Gilt Fd | 121.8 | 129.0 | -0.5 | 7.81 |
| (Accum Shares) | 792.8 | 790.4 | -2.9 | 7.81 |
| Managed Currency Stg. | 132 | 141 | ... | - |
| International | 410 | 431 | -1 | 0.29 |

## LUXEMBOURG (SIB RECOGNISED)

## JERSEY (REGULATED)(**)

## LUXEMBOURG (REGULATED)(**)

## SWITZERLAND (SIB RECOGNISED)

## OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

# CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

# Astonishment over rate cuts

THE DOLLAR and leading European currencies performed strongly against the D-Mark yesterday after the Bundesbank surprised dealers by lowering the effective floor to German money market rates, *writes James Blitz*.

The Bundesbank's decision to cut its Lombard rate by 50 basis points to 8.50 per cent had been anticipated by some market makers. But the cut in the discount rate – from 7.50 per cent to 7.25 per cent – took almost the whole market by surprise.

The shock was all the greater because agencies originally reported that there was no change in Bundesbank rates, and only corrected their news flashes three minutes later. One dealer talked of substantial gains and losses in dollar/D-Mark trading in the intervening period.

The cut in rates helped the dollar up in the European afternoon to peak at DM1.6135 although it later closed almost unchanged on the day at DM1.6065. The dollar's modest rise was surprising, considering that this was the third easing in official German rates in ten weeks. However, the US currency remains capped by the 4 percentage point differential between short term US and German rates.

The impact of the Bundesbank's move was felt far more keenly inside the European exchange rate mechanism.

In the European morning, both the French franc and the Spanish peseta had come under pressure on expectations that the Bundesbank would leave policy unchanged at its council meeting.

The French franc weakened beyond the FFr3.38 level against the D-Mark for the first time in some weeks. The Spanish peseta also dropped sharply, bottoming out at Pta72.78 to the D-Mark, forcing the Bank of Spain to raise its daily intervention rate by 65 basis points to 14.0 per cent and to intervene in the market by buying its currency.

The discount rate cut helped the franc in afternoon trading to a close of FFr3.374 against the D-Mark on the day.

However, the peseta remained weak, closing at Pta72.54 from a previous Pta72.37. The currency was some 74 basis points above the weakest currency in the ERM grid last night, a full percentage point below its level of 10 days ago.

Both the Bundesbank move and the UK unemployment figures helped sterling to close at DM2.4875 against the D-Mark, some 2¼ pfennigs up on the day. The currency rose a striking 0.8 percentage points against its exchange rate index to close at 80.7.

The drop in seasonally adjusted unemployment by 26,000 took the markets by surprise, and underlined the views of those who think the UK economy may be in the midst of an upturn. Mr David Cocker, an economist at Chemical Bank in London, believes the critical level for the pound is DM2.49. "If it breaks through that, we should see DM2.52," he said.

### EMS EUROPEAN CURRENCY UNIT RATES

| | Ecu Central Rates | Currency Amounts Against Ecu Apr 22 | % Change from Central Rate | % Spread vs Weakest Currency | Divergence Indicator |
|---|---|---|---|---|---|
| Irish Punt | 0.808998 | 0.799493 | -1.30 | 1.89 | 54 |
| Dutch Guilder | 2.20045 | 2.19170 | -0.40 | 0.97 | 15 |
| Belgian Franc | 40.2802 | 40.1457 | -0.33 | 0.91 | 11 |
| Spanish Peseta | 142.150 | 141.793 | -0.25 | 0.82 | 4 |
| D-Mark | 1.95294 | 1.95028 | -0.14 | 0.71 | 2 |
| Portuguese Escudo | 180.624 | 180.921 | 0.16 | 0.41 | -3 |
| Danish Krone | 7.44934 | 7.48350 | 0.46 | 0.11 | -26 |
| French Franc | 6.54988 | 6.58731 | 0.57 | 0.00 | -38 |

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

### £ IN NEW YORK

| Apr 22 | Latest | Previous Close |
|---|---|---|
| £ Spot | 1.5480 - 1.5490 | 1.5395 1.5405 |
| 1 month | 0.37 - 0.36pm | 0.37 0.36pm |
| 3 months | 1.11 - 1.09pm | 1.08 1.06pm |
| 12 months | 4.24 - 4.17pm | 4.02 3.92pm |

Forward premiums and discounts apply to the US dollar

### STERLING INDEX

### CURRENCY RATES

### CURRENCY MOVEMENTS

### OTHER CURRENCIES

### POUND SPOT - FORWARD AGAINST THE POUND

### DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

### EURO-CURRENCY INTEREST RATES

### EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

## FINANCIAL FUTURES AND OPTIONS

### OPTION ON LONG-TERM FRENCH BOND (MATIF)

| Strike | Calls May | Calls June | Calls September | Puts May | Puts June | Puts September |
|---|---|---|---|---|---|---|
| 116 | - | 2.21 | - | 0.03 | 0.08 | 0.38 |
| 117 | - | 1.25 | - | 0.02 | 0.18 | 0.65 |
| 118 | 0.33 | 0.62 | 1.16 | 0.15 | 0.47 | 1.03 |
| 119 | 0.03 | 0.21 | 0.72 | - | 1.05 | - |
| 120 | 0.01 | 0.05 | 0.39 | - | - | - |
| Open Int | 21,733 | 145,618 | 113,458 | 11,499 | 128,970 | 68,868 |

Estimated volume 64,634 † Total Open Interest 524,783
† All Yield & Open interest figures are for the previous day.

## BASE LENDING RATES

| | % |
|---|---|
| Adam & Company | 6 |
| Allied Trust Bank | 6 |
| AIB Bank | 6 |
| ●Henry Ansbacher | 6 |
| B & C Merchant Bank | 13 |
| Bank of Baroda | 6 |
| Banco Bilbao Vizcaya | 6 |
| Bank of Cyprus | 6 |
| Bank of Ireland | 6 |
| Bank of India | 6 |
| Bank of Scotland | 6 |
| Barclays Bank | 6 |
| Brit Bk of Mid East | 6 |
| ●Brown Shipley | 6 |
| CL Bank Nederland | 6 |
| Citibank NA | 6 |
| City Merchants Bank | 6 |
| Clydesdale Bank | 6 |
| The Co-operative Bank | 6 |
| Coutts & Co | 6 |
| Credit Lyonnais | 6 |
| Cyprus Popular Bank | 6 |
| Duncan Lawrie | 6 |
| Equatorial Bank plc | 6 |
| Exeter Bank Limited | 7 |
| Financial & Gen Bank | 7 |
| ●Robert Fleming & Co | 6 |
| Girobank | 6 |
| ●Guinness Mahon | 6 |
| Habib Bank AG Zurich | 6 |
| ●Hambros Bank | 6 |
| Heritable & Gen Inv Bk. | 6 |
| ●Hill Samuel | 6 |
| C. Hoare & Co | 6 |
| Hongkong & Shanghai | 6 |
| Julian Hodge Bank | 6 |
| ●Leopold Joseph & Sons | 6 |
| Lloyds Bank | 6 |
| Meghraj Bank Ltd | 6 |
| McDonnell Douglas Bk. | 6 |
| Midland Bank | 6 |
| Mount Banking | 6 |
| NatWestminster | 6 |
| Nykredit Mortgage Bnk | 6.5 |
| ●Rea Brothers | 6 |
| Roxburghe Bank Ltd | 6 |
| Royal Bk of Scotland | 6 |
| ●Smith & Williamson Secs. | 6 |
| Standard Chartered | 6 |
| TSB | 6 |
| Unibank plc | 6 |
| ●United Bk of Kuwait | 6 |
| Unity Trust Bank Plc | 6 |
| Western Trust | 6 |
| Whiteaway Laidlaw | 6 |
| Yorkshire Bank | 6 |

● Members of British Merchant Banking & Securities Houses Association



## MONEY MARKETS

# A day of surprises

EXPECTATIONS of lower interest rates across Europe increased sharply yesterday after the Bundesbank surprised dealers by cutting its discount rate by 25 basis points, *writes James Blitz*.

**UK clearing bank base lending rate 6 per cent from January 26, 1993**

The cut in the discount rate to 7.25 per cent was hailed as having strong implications for future Bundesbank policy, implying concerb about the state of the German economy.

Dealers started the European day believing that Wednesday's figures for M3 monetary supply growth in Germany – which were far higher than the market expected – had made an easing in monetary policy unlikely.

One clue to the Bundesbank's change of heart, however, was the dramatic fall in German call money at the start of yesterday's trading. The overnight rate of interest dropped from about 8.10 per cent to 7.80 per cent because of the high liquidity in the market.

Unbeknown to dealers, Wednesday's injection of a net DM5.8bn of liquidity may have been part of a Bundesbank strategy to ease officially posted rates: the proximity of call money to the interest rate floor made a cut in the discount rate more likely.

The Bundesbank did not announce a fixed rate repo for next week. However, there were strong expectations that the repo rate – whether variable or fixed – would come down to reflect the new structure of market rates.

The Bundesbank's cut was followed by a sharp rise in Euromark futures. The June contract rose 16 basis points on the day to close at 92.78. The June French franc contract rose 18 basis points to close at 91.97. One month French francs dropped more than 40 basis points from their peak of the day to around 8.80 per cent.

Expectations of another cut in UK base rates diminished sharply yesterday after the unemployment figures for March registered a net drop on the month for the second time running.

Seasonally adjusted unemployment dropped by 26,000. The June short sterling contract fell 16 basis points to a low of 93.80. However, the news from Germany pushed them back up to a close of 93.91 at the end of the day.

Sterling cash markets were more muted. Three-month money closed unchanged at 6 per cent. A shortage of £1.3bn in the discount market pushed the overnight lending rate up to 7.5 per cent at one stage.

### FT LONDON INTERBANK FIXING

### MONEY RATES

### LONDON MONEY RATES



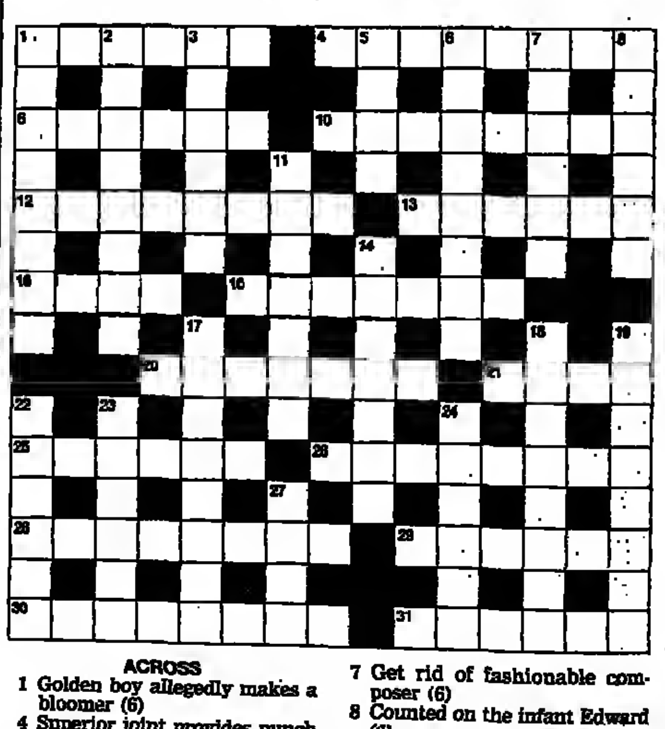
# MONEY MARKET FUNDS

## Money Market Trust Funds

## Money Market Bank Accounts

## CROSSWORD

No.8,133 Set by HIGHLANDER



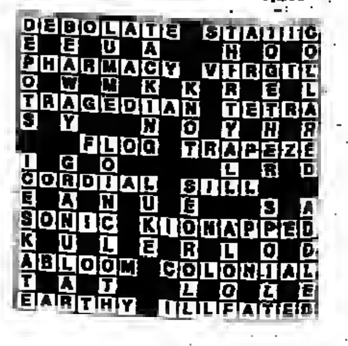
**ACROSS**

1 Golden boy allegedly makes a bloomer (6)
4 Superior joint provides punch (8)
9 Language used by RN chef after cooking (8)
10 Faint loss of power (5,3)
12 Gambling: there's an obstacle in the way (8)
13 Running track for the city is more expensive to cover (2-4)
15 Answer: dry off course (4)
16 Hand reader The Symbol of Victory first (7)
20 Put pegs in large seats (7)
21 Pretty average for travelling entertainment (4)
25 Is unable to get on with Swiss governing body (6)
26 Shot during broadcast (8)
28 Principal papal counsellor (8)
29 State visit – Irish Republic range (6)
30 Add nine pages at the back (8)
31 By coincidence, a new church on both sides (6)

**DOWN**

1 Rotten piece of luck for batsman to deal with (3-5)
2 Major's place in draughts? (8)
3 Moves very slowly and nips head off (6)
5 Hide pepper (4)
6 He avoids reality to represent pits' case (8)
7 Get rid of fashionable composer (6)
8 Counted on the infant Edward (6)
11 Lift most of the secrecy (7)
14 Times up – fresh push is needed (7)
17 Relegation of French proposal (8)
18 It's hard to get rid of club (4-4)
19 Lead time required for building facade (8)
22 Tropical shrub raised by top-class accountant (twice) (6)
23 Trick involving parent (6)
24 It runs over snow to kill sound (6)
27 Takes a risk by including traditional dress (4)

Solution to Puzzle No.8,132



# WORLD STOCK MARKETS

## CANADA

TORONTO

2:45 pm April 22

| Sales | Stock | High | Low | Close | Chng | Sales | Stock | High | Low | Close | Chng |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 3000 | Celanese | $45¼ | 45¼ | 45¼ | +¼ | 1000 | Lafarge | $20½ | 20½ | 20½ | -¼ |
| 100 | CmCpital | 26 | 25 | 26 | | 32700 | Laidlaw A | $16¼ | 16⅛ | 16⅛ | +⅛ |
| 30200 | Cinepx Odn | 214 | 200 | 214 | +13 | 150600 | Laidlaw B | $10⅛ | 9⅞ | 9⅞ | -⅛ |
| 9800 | Cmri Fd A | 55⅛ | 4.95 | 4.95 | | 30500 | Laurent Bk | $17¾ | 17¾ | 17¾ | +⅛ |
| 46700 | Cominco | $15¼ | 14½ | 14½ | -⅜ | 1000 | Laurent Gp | 480 | 480 | 480 | |
| 239900 | Coputalog | u200 | 185 | 199 | +13 | 31100 | Lawson Mar | $9 | 8 | 9 | |
| 41700 | Corel Sys | $17¾ | 17½ | 17⅝ | -¼ | 43700 | Loblaw | $22¾ | 22½ | 22½ | -⅜ |
| 2400 | CoscanDev | 151 | 151 | 151 | | | | | | | |
| 423500 | CrownX A | u360 | 330 | 330 | +20 | 71300 | Mackenzie | $7½ | 7¼ | 7½ | +¼ |

MONTREAL

2:45 pm April 22

## INDICES

### NEW YORK

| DOW JONES | Apr 21 | Apr 20 | Apr 19 | Apr 16 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Industrials | 3439.44 | 3443.49 | 3468.99 | 3478.61 | 3478.61 (16/4) | 3241.95 (20/1) | 3478.61 (16/4/93) | 41.22 (2/7/32) |
| Home Bonds | 107.00 | 106.84 | 106.93 | 106.94 | 107.00 (21/4) | 103.49 (11/1) | 107.00 (21/4/93) | 54.99 (1/10/81) |
| Transport | 1665.76 | 1645.01 | 1667.17 | 1683.08 | 1683.08 (16/4) | 1453.84 (4/1) | 1683.08 (16/4/93) | 12.32 (8/7/32) |
| Utilities | 240.86 | 243.30 | 245.37 | 247.88 | 247.88 (16/4) | 217.14 (8/1) | 247.88 (16/4/93) | 10.50 (8/4/32) |

DJ Ind. Day's High 3480.73 (3485.71) Low 3401.34 (3400.26) (Theoretical♠)
Day's High 3453.21 (3468.61) Low 3427.01 (3420.92) (Actual♠)

### STANDARD AND POOR'S

| | Apr 21 | Apr 20 | Apr 19 | Apr 16 | 1993 HIGH | 1993 LOW | Since compilation HIGH | Since compilation LOW |
|---|---|---|---|---|---|---|---|---|
| Composite ‡ | 443.63 | 445.10 | 447.46 | 448.94 | 456.33 (10/3) | 429.05 (8/1) | 456.33 (10/3/93) | 4.40 (1/6/32) |
| Industrials♥ | 505.37 | 506.99 | 507.42 | 508.48 | 524.89 (10/3) | 487.53 (18/2) | 524.98 (10/3/93) | 3.62 (21/6/32) |
| Financial | 44.38 | 45.08 | 45.94 | 46.36 | 46.67 (13/4) | 39.89 (8/1) | 46.87 (13/4/93) | 8.64 (1/10/74) |
| NYSE Composite | 245.07 | 245.72 | 247.02 | 247.74 | 251.38 (10/3) | 236.21 (8/1) | 251.38 (10/3/93) | 4.46 (25/4/42) |
| Amex Mkt. Value | 419.03 | 417.41 | 418.25 | 418.92 | 423.43 (31/3) | 395.84 (8/1) | 423.43 (31/3/93) | 29.31 (9/12/72) |
| NASDAQ Composite | 664.04 | 661.07 | 663.03 | 666.78 | 708.85 (4/2) | 651.40 (23/2) | 708.85 (4/2/93) | 54.87 (31/10/72) |

| | Apr 16 | Apr 9 | Apr 2 | year ago (approx.) |
|---|---|---|---|---|
| Dow Industrial Div. Yield | 3.04 | 2.90 | 2.95 | 2.86 |
| | Apr 14 | Apr 7 | Mar 31 | year ago (approx.) |
| S & P Industrial div. yield | 2.52 | 2.55 | 2.48 | 2.57 |
| S & P Indl. P/E ratio | 26.09 | 25.82 | 26.55 | 29.48 |

### NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Closing price | Change on day |
|---|---|---|---|
| Wal-Mart | 4,381,400 | 26½ | + ⅛ |
| Jostens | 4,207,700 | 19 | - 7⅛ |
| Chrysler | 4,201,200 | 39⅞ | - ⅞ |
| TIG Holding | 3,732,000 | 24¼ | - ⅛ |
| RJR Nabisco | 3,701,800 | 5⅞ | - ⅛ |
| Citicorp | 3,448,700 | 28 | - ¾ |
| AMR Corp | 3,374,300 | 71¼ | + 6 |
| Humana | 3,389,700 | 8¼ | + ⅝ |
| Coca Cola | 3,205,700 | 39 | + ½ |
| Compaq Comp | 3,012,000 | 49¼ | - 1⅞ |

### TRADING ACTIVITY

| † Volume (Millions) | Apr 21 | Apr 20 | Apr 16 |
|---|---|---|---|
| New York SE | 286.256 | 317.063 | 243.453 |
| Amex | 17.232 | 12.226 | 13.361 |
| NASDAQ | 249.439 | 251.224 | 222.849 |
| NYSE | | | |
| Issues Traded | 2,494 | 2,502 | 2,503 |
| Rises | 927 | 689 | 756 |
| Falls | 953 | 1,240 | 1,170 |
| Unchanged | 614 | 573 | 577 |
| New Highs | 86 | 86 | 96 |
| New Lows | 19 | 41 | 32 |

### CANADA

| TORONTO | Apr 21 | Apr 20 | Apr 19 | Apr 16 | 1993 HIGH | 1993 LOW |
|---|---|---|---|---|---|---|
| Metals & Minerals | 2857.25 | 2870.30 | 2882.32 | 2893.89 | 2972.25 (9/3) | 2743.31 (21/1) |
| Composite | 3963.83 | 3963.34 | 3983.22 | 3951.86 | 3968.83 (21/4) | 3275.80 (21/1) |
| MONTREAL Portfolio | 1830.00 | 1833.50 | 1839.81 | 1830.27 | 1856.83 (23/3) | 1730.97 (21/1) |

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

| WORLD | | | | |
|---|---|---|---|---|
| M.S. Capital Intl.(1/1/70) $ | 552.6* | 551.8 | 555.0 | |
| Euro Top-100 (26/6/90) | 968.47 | 963.01 | 961.92 | |

**Saturday April 17: Taiwan Weighted Price: 4,491.08, Korea Comp Ex. [illegible]
♥ Subject to official recalculation. † Correction.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen, [illegible] 1,000. JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All [illegible]

### TOKYO - Most Active Stocks

Thursday April 22 1993

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Nippon Steel | 8.5m | 572 | -2 | Fujikura | 3.6m | 911 | -37 |
| Mitsubishi Hvy | 7.5m | 650 | +3 | Hitachi | 3.3m | 822 | -7 |
| Sumitomo Mt Mn | 6.5m | 918 | -14 | NKK | 3.3m | 303 | -2 |
| NEC Corp | 5.9m | 921 | -16 | Toshiba Corp | 3.1m | 660 | -1 |
| Nippon Comsys | 4.2m | 1,240 | -80 | Citizen Watch | 3.1m | 1,080 | +20 |

2:45 pm April 22

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1993 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| 15⅜ | 11⅛ | AAR Corp | 0.48 | 3.9 | 23 | 100 | 12¼ | 12⅝ | 12¼ | |
| 27⅜ | 26 | A L Labs A | 0.10 | 0.9 | 34 | 209 | 21⅜ | 21 | 21⅛ | -¼ |
| 61⅜ | 54⅝ | AMP Inc | 1.60 | 2.8 | 22 | 2160 | 60¼ | 59⅞ | 60¾ | +¼ |
| 71¼ | 55½ | AMR | | | 11 | 16382 | u71⅝ | 70¼ | 71½ | +¼ |
| 2 | 1¾ | ARX | | | 11 | 145 | 1⅞ | 1⅞ | 1⅞ | |
| 42½ | 28⅞ | ASA | 2.00 | 4.9 | 28 | 377 | 40⅞ | 40 | 40¾ | +½ |
| 30⅜ | 22⅝ | Abbott Lab x | 0.68 | 2.8 | 17 | 6077 | 27½ | 26½ | 26½ | -⅛ |
| 12⅝ | 10¼ | Abitibi Pr x | 0.50 | 4.1 | 4 | 10 | 12¼ | 12⅛ | 12⅛ | |
| 11½ | 10¾ | ACM Gvt In | 0.96 | 8.3 | | 227 | u11½ | 11⅜ | 11½ | +⅛ |
| 9¾ | 9⅛ | ACM GvOpp | 0.76 | 8.3 | | 59 | 9½ | 9½ | 9½ | |
| 9⅝ | 8¾ | ACM Gvt Sp | 0.79 | 8.2 | | 171 | u9⅝ | 9½ | 9⅝ | |
| 11⅞ | 10½ | ACM Gvt Se x | 0.96 | 8.6 | | 39 | 11¼ | 11⅛ | 11⅛ | -⅛ |
| 10⅞ | 9⅝ | ACM Man | 1.08 | 10.0 | | 349 | 10⅞ | 10⅝ | 10¾ | |
| 9⅜ | 8⅝ | ACM Managd | 0.72 | 7.9 | | 59 | 9⅛ | 9 | 9⅛ | |
| 9 | 7¾ | Acme Cleve | 0.40 | 4.9 | 17 | 299 | 8⅛ | 8¼ | 8¼ | -¼ |
| 9¼ | 6½ | Acme Elect | | | 837 | 6 | 8⅜ | 8¼ | 8⅜ | +⅛ |
| 16 | 12⅛ | Acuson | | | 15 | 1020 | 14⅛ | 13¾ | 14⅛ | +⅛ |
| 22¼ | 19⅝ | Adams Expr | 0.48 | 2.3 | 1 | 22 | 20⅞ | 20⅞ | 20⅞ | |
| 59 | 45½ | Ad Micro | 3.00 | 4.0 | | 336 | u63 | 60 | 62¾ | +3¼ |
| 28⅞ | 17⅝ | Ad Micro P | 3.00 | 0.7 | 13 | 19425 | u31 | 28⅝ | 30⅞ | +2 |
| 7¾ | 5½ | Advest Grp | 0.16 | 2.3 | 14 | 111 | 7⅛ | 7 | 7 | -¼ |
| 49⅜ | 41⅛ | Aegon ADR | 1.36 | 2.9 | 0 | 30 | 47⅛ | 46⅝ | 46⅞ | -⅛ |
| 53¾ | 43⅞ | Aetna Li | 2.76 | 5.3 | 188 | 1352 | 52⅜ | 51¾ | 52 | |
| 14½ | 11½ | Afil A | 0.26 | 2.1 | 20 | 1166 | 12¾ | 12⅜ | 12½ | +⅛ |
| 39⅞ | 23 | Aflac | 0.44 | 1.1 | 17 | 2506 | 39¼ | 38¾ | 38¾ | -¾ |
| 22⅛ | 17¼ | Ahmanson | 0.88 | 4.8 | 15 | 7680 | 18½ | d17¼ | 18⅜ | +¾ |
| 7¾ | 4⅝ | Aileen Inc | | | 16 | 272 | 5¾ | 5½ | 5½ | -⅛ |
| 48½ | 40⅜ | Air Pr Chm | 0.86 | 1.9 | 17 | 4547 | 44⅞ | 43 | 44½ | +1⅞ |
| 24¼ | 18⅛ | Airbne Frt | 0.30 | 1.3 | 188 | 169 | 23⅝ | 23½ | 23½ | -⅛ |
| 28½ | 16¼ | Airgas Inc | | | 35 | 74 | 25¾ | 25⅛ | 25½ | +⅛ |
| 14¼ | 10½ | Airlease | 1.90 | 12.5 | 10 | 23 | 12⅞ | 12¾ | 12¾ | |
| 160 | 101 | AlaPw8.10 | 8.16 | 8.0 | | 5 | 104 | 104 | 102½ | |
| 105½ | 102½ | Alab 8.28C | 8.28 | 0.8 | | 11 | 104 | 103½ | 104 | |
| 18 | 15⅝ | Alaska Air | 0.20 | 1.2 | 2 | 494 | 17⅛ | 16⅞ | 17⅛ | |
| 16⅞ | 14¼ | Albany Int | 0.36 | 2.2 | 148 | 310 | 16¼ | 15⅞ | 16 | |
| 28¼ | 23½ | AlCulvr B | 8.28 | 1.6 | 20 | 52 | 27⅝ | 27 | 27 | -⅞ |
| 25¼ | 21⅞ | AlCulvr A | 0.26 | 1.1 | 10 | 132 | 24⅞ | 24⅛ | 24⅛ | -¾ |
| 57⅞ | 46¾ | Albertsons | 0.72 | 1.3 | 38 | 1467 | 56⅜ | 55⅜ | 55⅛ | +½ |
| 16¾ | 16⅞ | Alcan Alum | 0.30 | 1.7 | 29 | 5317 | 18⅛ | 17⅞ | 17⅞ | -¼ |
| [illegible] | | | | | | | | | | |
| 7⅝ | 4⅞ | Battle Mt | 0.19 | 1.5 | 15 | 2329 | 6⅞ | 6¾ | 6⅞ | +⅛ |
| 57½ | 48¼ | Bausch Lmb | 0.35 | 1.6 | 17 | 662 | 50¼ | d49⅛ | 50 | +⅜ |
| 32¾ | 27¼ | Baxter | 1.00 | 3.4 | 14 | 6695 | 30 | 29½ | 29½ | -½ |
| 26 | 24⅜ | Bay St Gas | 1.36 | 5.9 | 15 | 42 | 27⅜ | 27¼ | 27⅜ | |
| 25 | 22 | Bd Tr 1638 | 1.82 | 7.4 | | 8 | 24¾ | 24⅝ | 24¾ | |
| 20⅞ | 13¾ | Bear Strns | 0.60 | 3.0 | 8 | 1581 | 20¼ | 19¾ | 19⅞ | |
| 48 | 40½ | BearSIPA | 2.77 | 5.8 | | z100 | 47 | 47 | 47½ | +½ |
| 24⅞ | 20½ | Bearings | 0.64 | 2.8 | 128 | 118 | 24¾ | 24¼ | 24⅜ | +⅛ |
| 25½ | 20¾ | Beckman In | 0.36 | 1.6 | 14 | 256 | 22 | 21⅜ | 22 | +½ |
| 40⅞ | 32⅝ | Becton Dks | 0.65 | 1.9 | 12 | 1438 | 34 | 33¾ | 34 | -⅛ |

[illegible]



Continued on next page

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2:45 pm April 22

# NYSE COMPOSITE PRICES

Continued from previous page

- S - - T - - U - - V - - W - - X - Y - Z -

Price data supplied by Telekurs

# AMEX COMPOSITE PRICES

2:45 pm April 22

# NASDAQ NATIONAL MARKET

2:45 pm April 22

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

FINANCIAL TIMES Friday April 23 1993

AMERICA

# Earnings reports help Dow to move ahead

## Wall Street

US stock markets bounced back from three days of losses to post gains yesterday as a number of strong earnings reports lifted share prices across the board, *writes Patrick Harverson in New York.*

At 12.45pm, the Dow Jones Industrial Average was up 22.42 at 3,461.86. The more broadly-based Standard & Poor's 500 was up 0.94 at 444.57, while the Amex composite was 1.00 higher at 420.03, and the Nasdaq composite up 3.88 at 667.92. Trading volume on the NYSE was 171m shares just before 1 pm.

Trading opened against a background of conflicting factors, including the cut in German interest rates, news of a rise in weekly jobless claims, and falling bond prices. The German rate cut had little impact on market sentiment, primarily because the Bundesbank's move failed to give much of a lift to the dollar.

The news of a 26,000 increase in weekly jobless claims was worrying – it confirmed that the labour force still struggles to keep up with the pace of the economic recovery – but investors shrugged it off, as they did another, albeit small, decline in bond prices.

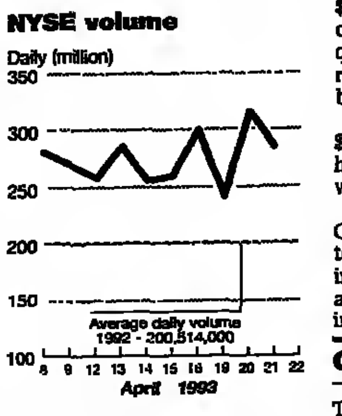
Attention was primarily focused on corporate earnings, and here the news was better. The day's main feature was Caterpillar, which jumped $4⅝ to $66⅞ in busy trading after the company bounced back from a big loss in the first quarter last year to post a net profit of $34m in the wake of stronger demand in the US market and improved margins. The earnings were better than analysts' had expected, and prompted several brokerage houses to upgrade their ratings and raise their earnings estimates for the company.

Among other stocks to advance on news of improved earnings were Dow Chemical, which climbed $3¼ to $56 in volume of 1m shares after the company reported net income of $1.47 a share, up from 65 cents a share a year earlier.

Airline stocks gave back some of Wednesday's big gains as some investors took the opportunity to book some quick profits. USAir fell $1⅛ to $22⅞, UAL dropped $2 to $124⅞, and Delta fell $1 to $58⅛. Delta reported a net loss of $134m in the third fiscal quarter after taking an $82.5m restructuring charge. AMR held steady at $71⅛.

Consolidated Rail dropped $4⅞ to $52⅛ after reporting higher-than-expected quarterly worker injury costs.

On the Nasdaq market, MCI Communications jumped $1⅝ to $48⅞ on news that earnings improved from 51 cents a share a year ago to 56 cents a share in this year's first quarter.




## Canada

TORONTO was flat at midday, pressured by losses in the conglomerates group. The TSE-300 index was 0.40 higher at 3,663.50 in volume of 31.6m shares.

*Air Canada gained 45 cents* to C$3.60 after the Canadian Competition Tribunal dismissed a bid by Air Canada's rival, PWA, to quit the Gemini reservations system.

Trading in PWA was suspended.

EUROPE

# Buba's move takes bourses by surprise

THE Bundesbank's cut in the discount and Lombard rates took markets by surprise and there was a consensus among analysts that Germany might now move a little more quickly in lowering interest rates, *writes Our Markets Staff.*

The feeling that the German economy is in an even worse state than observers had believed gives added strength to this view and some analysts are looking for a substantial cut in the repo next week.

FRANKFURT edged down during the session but there were strong gains in the post bourse after the rate cut was announced. The DAX index closed down 0.13 to 1,666.74 in turnover of DM5.9bn.

In post bourse trading, banks gained on hopes that lower interest rates would help profit margins. Mr Hans Peter Wodniok at James Capel said that insurance companies, which held large bund portfolios were also beneficiaries of the rate cut.

However, some analysts doubt that the equity rally will last, as monetary easing itself indicated that the central bank remained pessimistic over the economy. Mr Nigel Longley of Commerzbank said that while the cut spurred activity by dealers in after market trading, genuine investors remained inactive.

Volkswagen rose DM10 to DM331, after a presentation in London on Wednesday, while Daimler-Benz advanced DM8 to DM575 and BMW gained DM2.5 to DM480.

PARIS regained some of the week's losses although activity was reported to have been unenthusiastic ahead of today's end of the account. The CAC-40 index rose 12.50 to 1,944.46, but off the day's high of 1,955.10, in turnover of FFr3.6bn.

There is a view in some quarters that with many institutions already heavily overweight in France there is unlikely to be a rush to buy at present. Investors are also waiting for the privatisation programme to get underway.

Peugeot strengthened FFr5 to FFr542 after its 1992 results came much in line with expectations and hopes of a better performance in 1993. Suez dipped FFr7.70 to FFr303.80 after a negative analysts meeting on Wednesday while Lafarge slipped FFr11 or 3 per cent to FFr338.90 as investors reacted to its terms for taking control of Asland of Spain.

MILAN decided that two days of slide was enough and prices picked up as efforts continued to decide on the future shape of the Italian political scene. The Comit index rose 10.03 or 1.9 per cent to 528.20.

The Bank of Italy's move to cut its discount and Lombard rates came after the market had closed. The decision surprised analysts who had not expected any movement in Italian rates until after the formation of a new government.

The bourse was led higher by Fiat which fixed L350 or 5.4 per cent higher at L6,760 before easing to L6,745 after hours. The rise followed continued speculation that the carmaker planned a strategic accord with Renault and several buy recommendations.

Companies in the Ligresti group also put in a strong showing. Premafin, the holding company, rose L390 or 8.2 per cent to fix at L5,140 and rose L5,300 after-hours while Grassetto, the construction group, rose L310 or 5.6 per cent to L5,810. Analysts suggested that the rises were the result of the continuing restructuring of the group.

ZURICH had a mixed day and the SMI index finished little changed, down 0.8 at 2,177.3. Prices picked up briefly in the immediate aftermath of the Bundesbank's announcement before easing back.

Sulzer was actively traded, falling another SFr14 to SFr756 after Wednesday's press conference. Ascom continued to add to the previous day's 6.6 per cent rise, finishing SFr40 ahead at SFr1,490.

Adia, planning a capital reconstruction, rose SFr10 or 8.7 per cent. to SFr124. Danzas rose SFr700 or 8.9 per cent to SFr8,500; the transport group plans a share split and capital increase to make its shares more marketable.

AMSTERDAM came off its intraday high with a close in the CBS Tendency index of 111.3, up 0.6. Some analysts commented that the market was beginning to look a little tired after a startling first quarter. MADRID erased early losses after the Bundesbank's move and the general share index gained 1.62 to 244.67. SCANDINAVIAN markets, with the exception of Norway, all rose.

**FT-SE Actuaries Share Indices** — THE EUROPEAN SERIES

| April 22 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1158.28 | 1155.59 | 1158.56 | 1158.19 | 1158.72 | 1158.33 | 1163.23 | 1164.35 |
| FT-SE Eurotrack 200 | 1224.40 | 1223.42 | 1223.32 | 1226.29 | 1228.98 | 1227.13 | 1232.21 | 1234.50 |

| | Apr 21 | Apr 20 | Apr 19 | Apr 16 | Apr 15 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1157.71 | 1158.12 | 1164.59 | 1159.61 | 1156.40 |
| FT-SE Eurotrack 200 | 1224.52 | 1220.73 | 1221.99 | 1217.23 | 1220.62 |

Base value 1000 (26/10/90) High/day: 100 - 1164.64; 200 - 1235.52 Low/day: 100 - 1155.52 200 - 1222.46.

# Dublin enjoys thrills of the roller-coaster

## Falling interest rates and overseas demand are driving equities, reports **Tim Coone**

The Irish stock market has had all the thrills of a ride on a funfair roller coaster over the past six months, and all the unpredictability of Irish weather.

The cries of alarm and dire predictions of deepening gloom in the autumn of last year, as the market plunged to a four-year low, have since been replaced by squeals of delight and forecasts of better to come as the ISEQ overall index bottomed out and has since climbed rapidly to a three-year high.

It has gained 30 per cent since the end of December, half of that in March alone, and a remarkable 45 per cent since the four-year low last October, making Dublin one of the world's best performing markets this year to date. It eased 2.47 yesterday to 1,554.27.

The crucial turning point was the punt's devaluation at the end of January and the steady fall in interest rates since then, which has brought a burst of optimism flooding through analysts' forecasts.

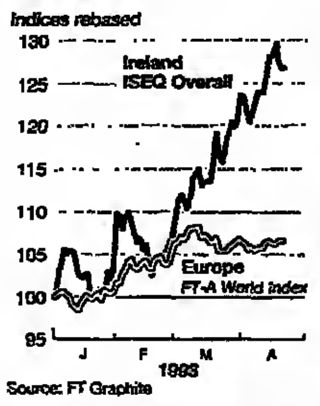
Financial stocks such as Bank of Ireland and AIB have bounced back particularly strongly, the sector advancing 38 per cent in the year to date; while food shares such as Avonmore, Waterford, and Golden Vale have also outperformed the market as a whole, as has the blue chip construction stock CRH and a number of second line industrials.

The ERM crisis in the autumn of last year, which threw the Irish currency into crisis and interest rates soaring, had been particularly depressing for the financial stocks and for companies trading into the UK. But with that cloud now lifted, recovery has been strong, with the potential for more to come.

Mr John Horgan, head of research at Riada stockbrokers in Dublin, comments: "The market is still 20 per cent below its all-time high and price-earnings multiples are 13 for 1993, while they are 17 in the US and 15 in the UK."

He says a promising economic outlook over the next two years, combined with favourable technical factors, "could mean that there is still some 15 to 20 per cent to go and could make this year an exceptionally good one for the market".

Two technical factors are particularly significant. From May 1, Irish stocks will be included in the Morgan Stanley Capital International index, which will serve to attract additional US funds into the market. Secondly, when Dublin money market rates were very high in January, there were heavy redemptions of unit-linked funds, making the Irish institutions forced sellers.




That position has now been reversed, and Irish institutions will again be net buyers of stock at the same time as there are few expectations of any of the leading Irish stocks coming to the market with new issues in the months ahead, keeping supply of paper tight, while demand remains firm.

A more cautious note is being sounded by Davy stockbrokers in Dublin. They say much of the bull market of the past two months has been driven by overseas buying, and those stocks which have attracted most interest "no longer look unduly cheap by international comparisons ... we find it difficult to see how the market as a whole can push significantly ahead from these levels without inducing some overseas profit-taking".

Further ahead, however, Davy is forecasting that interest rates will fall a further 2 to 3 percentage points to around 6 per cent in 1994 and GNP growth will recover to 4 per cent next year, "which should be sufficient to allow the market to make further and significant gains on a 12 to 18-month view".

Mr Robbie Kelleher, head of research at Davy, says: "We remain strategic bulls. There is a very benign picture of the economy emerging over the next 18 months."

Mr David Kingston, chief executive of Irish Life, Ireland's largest fund manager, is also bullish, and says he is "generally optimistic that interest rates will continue to fall over the next two years".

Under such a scenario, overall earnings growth in the Irish market is forecast to be in the region of 20 per cent over the next two years, giving a 1994 p/e forecast of around 11 which will continue to offer bargains for those that like the thrill of Dublin's roller-coaster ride.

ASIA PACIFIC

# Tokyo continues slide as Singapore returns to peak

## Tokyo

LATE profit-taking, coupled with futures sales as a hedge against the yen's extended advance against the dollar, pushed equity prices lower for a fifth consecutive session in light volume, *writes Wayne Aponte in Tokyo.*

The Nikkei average ended 181.70 down at 19,591.31, after an intraday low of 19,557.78 and a high of 20,116.86. The broader Topix index of all first section stocks lost 9.53 to 1,523.03, but in London the ISE/Nikkei 50 index firmed 2.00 to 1,202.15.

Volume was estimated at 380m shares, compared with Wednesday's 395m. Losers outpaced advances by 721 to 318, with 133 issues unchanged.

Foreign exchange considerations again dominated equity trading in Tokyo. Market participants sold and bought shares in tandem with the rise and fall of the yen, which finally settled at Y110.20 to the dollar. While uncertainties about the stability of the yen remain, investors are expected to continue to take profits.

Chart analysts predict that the Nikkei will test its 25-day moving average of 19,493.44 in the short term. Below this level, however, buy orders from government-managed public funds are likely to serve as a support for share prices.

*Mr Shigeru Akiba*, director of yen equity trading at UBS Securities, said afternoon sales of futures contracts triggered arbitrage-related selling that pressured the cash market.

Nippon Telegraph and Telephone, which has led the Tokyo market, receded Y44,000 to Y893,000, the first time it has settled below Y900,000 since March 31.

NTT-related shares also moved into negative territory. Fujikura, the electric wire and cable manufacturer, dropped Y37 to Y911, while Mitsubishi Cable declined Y24 to Y686.

Profit-taking pushed the high-technology sector lower. NEC fell Y16 to Y921, Mitsubishi Electric Y10 to Y548 and Hitachi Y7 to Y822. Motor-related shares lost ground. Honda weakened Y80 to Y1,410, while Toyota shed Y10 to Y1,630.

In Osaka, the OSE average slipped 83.57 to end at 21,450.23 in volume of 27.9m shares.

## Roundup

PACIFIC Rim markets turned in a mostly strong performance. Recent strength in Singapore and Kuala Lumpur has been attributed to portfolio adjustment on expectations that the Morgan Stanley Capital Index, presently combining the two markets, will be split at the beginning of next month, some analysts said.

SINGAPORE returned to its record-setting ways as low interest rates continued to boost liquidity. Buyers focused on laggard small-capital stocks and warrants, and the Straits Times Industrial index rose 3.15 to 1,773.21. KUALA LUMPUR ended its four-day rally with a dip in the composite index of 0.25 to 691.45.

TAIWAN surged ahead as the government was poised to tighten the Copyright Law, in a move to avoid trade retaliation by the US, which had been demanding stricter controls on protecting intellectual property rights.

The weighted index advanced 149.06, or 3.3 per cent, to 4,631.69. Turnover fell to T$14.7bn from T$31.4bn.

SEOUL rewrote its 20-month high, the composite index rising 4.01 to 735.57 in volume of 61.3m shares. Electronics and other blue chip sectors led the rise.

NEW ZEALAND closed near to an all-time peak, with the advance fuelled by continuing strong interest in forestry shares.

The NZSE-40 index climbed 22.19, or 1.4 per cent, to 1,627.12 in strong turnover of NZ$48m. The 1,627.31 historic high of the 2½-year old index was set on February 16.

Foreign buying was again concentrated on forestry stocks, which are benefiting from lumber price increases.

MANILA rose as investors tried to shake off fears caused by the government's takeover of the board of directors of market leader PLDT. The composite index moved ahead 7.94 to 1,540.70 as PLDT fell 15 pesos to 945 pesos.

AUSTRALIA was higher, with banks, especially Westpac, attracting interest. The All Ordinaries index finished 11.5 up at 1,705.4.

HONG KONG eased on volatile futures-led activity, as Sino-British talks opened in Beijing. The Hang Seng index ended 9.15 down at 6,759.24 in turnover of HK$6.3bn, against Wednesday's HK$4.3bn.

While prices started higher on hopes of better relations between Beijing and London, afternoon futures-led selling eroded the gains.

BOMBAY fell to a 15-month low, depressed by expectations of disappointing company results. The BSE index shed 30.55 to 2,158.96.

## SOUTH AFRICA

THERE WAS a late recovery in gold shares after the price of bullion strengthened: the index was up 2 at 1,216 after a low of 1,199. Vaal Reefs added 50 cents at R220. The overall index slipped 5 to 3,566 and industrials lost 17 to 4,352.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS | WEDNESDAY APRIL 21 1993 | | | | | | | | TUESDAY APRIL 20 1993 | | | | | DOLLAR INDEX | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Figures in parentheses show number of lines of stock | US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | 1993 High | 1993 Low | Year ago (approx) |
| Australia (68) | 141.15 | -1.1 | 136.19 | 99.08 | 117.78 | 131.29 | -0.8 | 3.76 | 142.71 | 137.21 | 99.86 | 116.71 | 132.31 | 144.18 | 117.39 | 145.97 |
| Austria (18) | 142.28 | -0.8 | 157.29 | 99.88 | 118.73 | 118.66 | +0.2 | 1.80 | 143.47 | 137.96 | 100.40 | 118.35 | 118.42 | 160.96 | 131.19 | 197.31 |
| Belgium (42) | 152.73 | -0.8 | 147.37 | 107.20 | 127.44 | 124.48 | -0.5 | 4.54 | 154.16 | 148.22 | 107.87 | 128.24 | 125.08 | 158.78 | 131.18 | 136.91 |
| Canada (110) | 124.15 | -0.2 | 119.80 | 87.15 | 103.59 | 113.05 | -0.0 | 2.94 | 124.37 | 119.57 | 87.02 | 103.44 | 113.11 | 125.97 | 111.41 | 128.40 |
| Denmark (33) | 211.84 | -0.5 | 204.41 | 148.71 | 176.77 | 177.27 | -0.2 | 1.28 | 213.00 | 204.79 | 149.05 | 177.18 | 177.80 | 215.02 | 185.11 | 231.57 |
| Finland (23) | 86.49 | -1.7 | 83.46 | 60.72 | 72.18 | 101.08 | -0.2 | 1.23 | 87.99 | 84.60 | 61.57 | 73.19 | 101.28 | 87.99 | 65.50 | 76.49 |
| France (96) | 159.75 | -1.0 | 154.14 | 112.13 | 133.29 | 135.75 | -0.8 | 3.30 | 161.44 | 155.22 | 112.98 | 134.28 | 136.85 | 167.36 | 142.72 | 156.01 |
| Germany (62) | 114.89 | -1.5 | 110.86 | 80.65 | 95.86 | 95.86 | -1.2 | 2.22 | 116.63 | 112.14 | 81.62 | 97.02 | 97.02 | 117.10 | 101.59 | 118.06 |
| Hong Kong (55) | 270.71 | +1.9 | 261.21 | 190.03 | 225.90 | 268.64 | +1.9 | 3.44 | 265.67 | 255.45 | 185.90 | 221.00 | 263.64 | 270.95 | 218.82 | 216.71 |
| Ireland (15) | 164.72 | -0.7 | 158.94 | 115.63 | 137.44 | 152.79 | -0.2 | 3.47 | 165.82 | 159.43 | 116.03 | 137.93 | 153.11 | 170.40 | 129.29 | 159.69 |
| Italy (73) | 63.91 | -0.9 | 61.67 | 44.86 | 53.33 | 73.08 | -0.6 | 2.70 | 64.26 | 61.80 | 44.98 | 53.47 | 73.54 | 65.07 | 53.78 | 71.05 |
| Japan (470) | 137.50 | -0.9 | 132.67 | 96.52 | 114.75 | 96.52 | -0.9 | 0.86 | 138.76 | 133.41 | 97.10 | 115.44 | 97.10 | 141.84 | 100.75 | 94.33 |
| Malaysia (69) | 311.83 | +2.4 | 300.89 | 218.88 | 260.19 | 306.95 | +2.5 | 2.17 | 304.38 | 292.65 | 212.98 | 253.19 | 301.51 | 311.83 | 251.66 | 232.86 |
| Mexico (18) | 1622.45 | -0.2 | 1565.52 | 1138.90 | 1353.83 | 5486.67 | -0.2 | 1.23 | 1625.26 | 1562.64 | 1137.28 | 1351.95 | 5496.19 | 1725.81 | 1410.30 | 1713.47 |
| Netherland (24) | 170.95 | -0.5 | 164.95 | 120.00 | 142.65 | 140.88 | -0.4 | 3.93 | 171.88 | 165.26 | 120.27 | 142.96 | 140.97 | 172.76 | 150.39 | 153.34 |
| New Zealand (13) | 47.65 | +0.8 | 46.17 | 33.59 | 39.93 | 46.87 | +0.5 | 4.66 | 47.55 | 45.72 | 33.28 | 39.56 | 46.66 | 47.65 | 40.56 | 43.52 |
| Norway (22) | 154.98 | -0.2 | 149.54 | 108.79 | 129.32 | 142.99 | +0.3 | 1.65 | 155.25 | 149.27 | 108.64 | 129.15 | 142.61 | 156.26 | 137.71 | 166.57 |
| Singapore (38) | 235.10 | -0.4 | 226.85 | 165.03 | 196.17 | 175.51 | -0.4 | 1.81 | 236.01 | 226.92 | 165.15 | 196.32 | 176.20 | 236.21 | 207.04 | 200.90 |
| South Africa (60) | 173.94 | -1.0 | 167.84 | 122.10 | 145.14 | 175.45 | -0.5 | 2.85 | 175.75 | 168.98 | 122.98 | 146.19 | 176.32 | 178.48 | 144.72 | 227.85 |
| Spain (45) | 130.34 | -1.0 | 125.77 | 91.50 | 108.76 | 114.79 | -0.4 | 5.27 | 131.63 | 126.56 | 92.11 | 109.49 | 115.23 | 131.99 | 115.23 | 149.07 |
| Sweden (35) | 170.36 | +1.3 | 164.38 | 119.59 | 142.18 | 187.32 | +1.9 | 1.80 | 168.12 | 161.65 | 117.65 | 139.85 | 183.80 | 170.36 | 149.70 | 182.12 |
| Switzerland (56) | 120.08 | +0.5 | 115.86 | 84.29 | 100.21 | 108.69 | +0.2 | 2.00 | 118.46 | 114.85 | 83.60 | 99.38 | 108.46 | 121.49 | 108.91 | 98.48 |
| United Kingdom (218) | 178.19 | +0.2 | 171.94 | 125.07 | 148.68 | 171.94 | +0.5 | 4.00 | 177.91 | 171.05 | 124.48 | 147.97 | 171.05 | 179.22 | 162.00 | 184.57 |
| USA (519) | 181.18 | -0.3 | 174.80 | 127.17 | 151.17 | 181.16 | -0.3 | 2.80 | 181.73 | 174.73 | 127.17 | 151.18 | 181.73 | 186.27 | 175.38 | 186.90 |
| Europe (764) | 145.93 | -0.4 | 140.81 | 102.44 | 121.78 | 133.04 | -0.1 | 3.36 | 146.45 | 140.81 | 102.48 | 121.83 | 133.13 | 147.81 | 133.92 | 146.93 |
| Nordic (114) | 159.92 | +0.5 | 154.31 | 112.26 | 133.45 | 154.03 | +1.0 | 1.62 | 159.19 | 153.05 | 111.39 | 132.42 | 152.44 | 159.92 | 142.13 | 171.42 |
| Pacific Basin (713) | 141.61 | -0.7 | 136.64 | 99.40 | 118.16 | 102.78 | -0.4 | 1.16 | 142.62 | 137.13 | 99.80 | 118.64 | 103.20 | 143.45 | 105.09 | 100.35 |
| Euro-Pacific (1477) | 143.26 | -0.6 | 138.23 | 100.55 | 119.53 | 115.41 | -0.3 | 2.07 | 144.07 | 138.52 | 100.81 | 119.84 | 115.73 | 146.03 | 117.26 | 119.17 |
| North America (629) | 177.61 | -0.3 | 171.38 | 124.69 | 148.23 | 176.53 | -0.3 | 2.81 | 178.18 | 171.30 | 124.68 | 148.23 | 177.07 | 182.38 | 171.51 | 164.47 |
| Europe Ex. UK (546) | 126.00 | -0.7 | 121.58 | 88.46 | 105.16 | 111.18 | -0.5 | 2.92 | 126.88 | 121.99 | 88.80 | 105.57 | 111.69 | 128.23 | 112.51 | 124.37 |
| Pacific Ex. Japan (243) | 182.27 | +0.7 | 175.87 | 127.95 | 152.11 | 165.64 | +0.8 | 3.28 | 180.95 | 173.98 | 126.64 | 150.54 | 164.27 | 182.27 | 152.70 | 159.56 |
| World Ex. US (1665) | 143.83 | -0.6 | 138.78 | 100.97 | 120.02 | 117.34 | -0.3 | 2.10 | 144.83 | 139.25 | 101.21 | 120.31 | 117.86 | 146.38 | 118.51 | 121.74 |
| World Ex. UK (1966) | 153.18 | -0.5 | 147.80 | 107.53 | 127.83 | 133.51 | -0.4 | 2.20 | 153.99 | 148.05 | 107.76 | 128.11 | 134.02 | 155.77 | 134.32 | 131.47 |
| World Ex. So. Af. (2124) | 155.36 | -0.5 | 149.91 | 109.07 | 129.65 | 136.83 | -0.3 | 2.37 | 156.08 | 150.07 | 109.23 | 129.84 | 137.03 | 157.98 | 137.29 | 135.45 |
| World Ex. Japan (1714) | 166.57 | -0.3 | 160.73 | 116.94 | 139.02 | 159.78 | -0.2 | 3.01 | 167.03 | 160.60 | 116.89 | 138.96 | 160.03 | 168.09 | 157.47 | 159.29 |
| The World Index (2184) | 155.37 | -0.5 | 149.92 | 109.07 | 129.66 | 137.00 | -0.3 | 2.38 | 156.10 | 150.08 | 109.23 | 129.85 | 137.40 | 157.83 | 137.32 | 136.06 |


Latest prices were unavailable for this edition.